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BI-METALLIC MONEY,

AND ITS

BEARINGS ON THE MONETARY CRISES IN GERMANY, FRANCE, ENGLAND, AND THE UNITED STATES.

28534

BY.

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TRANSLATED FROM THE FRENCH.

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AUTHOR'S NOTE.

MONEY is a commodity which marks the value of other commodities and pays for them. In recommending the simultaneous employment of gold and silver as money, we do not mean either to recommend a double valuation, or a double standard; we recommend two metals, wherewith to constitute a single paying and valuating money. The nature of this money is exactly described by the term "bi-metallic."

PARIS, 31*st December*, 1875,
7, *Avenue Vélasquez, Parc Monceau.*

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BI-METALLIC MONEY.

I.

THE MONETARY QUESTION IN GERMANY.

WHENEVER the political regime of a country is modified, its monetary system inevitably undergoes a modifying action. On the accession of Victor Emmanuel to the throne of Italy, the ancient Lombard, Neapolitan, Tuscan, and Roman coinages were suppressed. When King William of Prussia became Emperor of Germany, a decree was promulgated to abolish the monetary systems of the Northern and Southern States. In Italy, the mint issues but one kind of money, the *lira*, bearing the Savoy Cross. That of Germany only

coins marcs, bearing the Imperial Eagle. But, while establishing monetary unity, Italy sanctioned the bi-metallic system, which, as a legal tender, recognizes equally gold and silver; in adopting monetary uniformity, Germany did otherwise. She resolved to demonetise silver, although it circulated almost alone, and to allow no other legal tender than the gold marc into which she intended to convert the French War Indemnity. The bi-metallic system has been realized in Italy. Will Germany be able to realize her mono-metallic programme?

The Imperial Government has pursued its undertaking with ardour. In four years it has issued, firstly, 1,200,000 golden marcs in coins of ten and twenty marcs (each marc containing one franc, three and a half centimes of gold); secondly, it has hastened forward its new small-change metallic coinage (silver of a low standard, nickel and copper) which, at the ratio of 12½ marcs per head of the population, is to replace the old billon coin which is being called in and melted down; thirdly, it has prohibited the circulation of the Dutch, Austrian, and French monies,

which had extensively circulated; fourthly, it has called in nearly all the florins and other silver coins of the Southern States and the Hanseatic Towns.

This being done, a single operation would remain to be carried out, namely, the withdrawal of the thaler, that most important piece of silver money. Now the sum of thalers to call in amounts to 200,000,000 (740,000,000 francs) and the warmest promoters of monometallism will themselves admit what serious difficulties stand in the way of demonetising so great a mass of metal. Where can all this silver be sent to? or what can be done with it? Up to the present, England and the United States admit only gold as a legal tender. Consequently, these countries cannot absorb the silver furnished by the German thalers. France, Italy, Belgium, Switzerland, that is to say, the Latin Union, though admitting the bi-metallic regime, have coalesced to prevent th. Germans coming to their mints to have their thalers turned into pieces of five francs. And, to this end they have by common agreement suspended

their ancient free coinage of silver. Austria and Russia are condemned to a chronic state paper currency; they cannot think of acquiring the silver of Germany. There remain China and India. In these countries gold is not employed, as their payments are made in silver. But they have neither heavy credits on Germany nor the rest of Europe, and are therefore not in a position to send thither large sums. One can hardly imagine a cause for a great exportation of silver from Berlin to Pekin short of the hypothesis of a decisive battle being lost by the Germans in fighting against the Chinese, and the latter having imposed a heavy indemnity on the former.

Moreover, we should bear in mind that if it is hard to find an outlet for demonetised silver, the purchase of the gold to replace it is no less difficult.

London, the chief mart of precious metals, can only furnish Australian and Californian gold according to the supplies received thence. Were the usual stock, of which the English themselves stand in absolute need, trenched upon, the result would be a terrible crisis in the British market,

which would immediately react upon all the rest of Europe, bringing with it ruin and disaster.

It is scarcely necessary to point out the gigantic losses Germany would, before causing this disastrous crisis, entail upon herself should she continue to offer heavy sums of silver, and to demand heavy sums of gold. The silver so offered would be more and more depreciated, and the price of gold would rise in a converse ratio, entailing a loss of millions to the German Treasury.

The Ministry of the Empire have foreseen these difficulties. To meet them they inserted in the decree, ruling that from January 1st, 1876, all payments shall be made neither in florins nor thalers, but exclusively in marcs, a restrictive clause, to maintain in circulation the thalers, which are to be counted as gold, and to be each held as equivalent to three marcs.

We see from this that the Imperial Government wishes to secure itself time, and hopes to demonetise slowly. But a slow demonetisation is not without serious drawbacks since it determines the exportation of gold. Here are the reasons why it does so:—

Since demonetisation has begun, silver which is constantly offered to foreign markets goes on falling in price, whilst, at home, the value of the thaler, this coin being a legal tender under the restrictive clause above mentioned, and appraised at three golden marcs, is not depreciated. Bankers therefore when they have payments to make abroad are careful not to transmit thalers. They send gold marcs, reserving their thalers for home payments. Government buys back the gold in foreign markets, and the bankers go on exporting it. The treasury thus undertakes to weave a Penelope's web, without any Ulysses in the distance. Already 20,000,000 of marcs have been sent abroad, the sixth part of all that has been coined. To sum up, Germany has judged prudent not to demonetise rapidly, whilst the success of a slow demonetisation appears highly doubtful.

Such is the situation. Before entering into the views which it suggests in the future, it is well to make clear what is the gold marc, the new monetary unity of Germany.

When the Empire decided upon the conversion

of the silver currency into gold, it was of necessity obliged, at the outset, to establish a convertible tariff, or in other words, to determine how many weights of silver should be equal to one in gold. The tariff was fixed at 15½, which means that the owner of silver money, forced by the State to get rid of it, has a right, on presenting it at the Treasury offices, to receive in exchange for 15½ weights of this metal, bearing the stamp of the Mint, one weight of coined gold.

The Government was justified in establishing this proportion, which then corresponded with the respective value of the two metals in the general market, and with the ancient proportion which legally existed in France, Italy, Belgium, and Switzerland, between the gold and silver francs.

The proportion of 15½ once adopted, it was of importance that the value of the gold monetary unity which was to be created under the name of the marc should be such that the exchange of the old against the new money might not necessitate any long and complex calculation. To this end, without departing from the tariff of 15½, it

was needful that the value of the marc should be exactly contained a certain number of times in the value of the thaler, the most important and widely circulated of the silver coins. This is what was done.

If we multiply by 15½ the weight of the marc, we get the exact weight of the third of a thaler, which renders the operation of exchanging thalers for marcs extremely simple. There is no fraction, nor small change to add in. For every thaler presented the Treasury officers should render three gold marcs.

The gold marc being thus constituted, and the silver thaler continuing until further orders in circulation, we cannot deny that from January 1st, 1876, there will be a metallic currency composed of gold and silver marcs, the latter containing 15½ times the weight of the former.

It will be exactly the same thing as in France, where the silver franc weighs 15½ times as much as the gold franc.

It is worthy of remark that the ancient bimetallic regime at 15½, the suppression of which several economists demanded in France, will soon

be in force in Germany, where it has never existed, and where nobody demanded its adoption. It is true that the bi-metallic system of Germany is not complete. To make it absolute each person should be free to coin silver money, whereas the silver marcs allowed to circulate are only the old thalers, and everybody is forbidden to manufacture new silver coins.

Here we come to the gist of the matter. Is it for the interest of Germany, France, and the general market that the German legislator shall continue this interdiction, or is it desirable that it should be withdrawn?

Germany is not committed to the monometallic system to the extent of being unable, without a great effort to abandon it. On the contrary, she has never so closely approached a bi-metallic regime, which in point of fact she already legally, though provisionally, possesses. In order that bi-metallism become permanent and absolute, it would suffice for her Government to ordain, firstly, that the coinage of gold and silver in the public Mint should be open to every one; secondly, that the weight of a silver marc shall

be equal to one-third the weight of a thaler; thirdly, that pieces of four or five silver marcs shall be struck in order to make *rouleaux* of 100 marcs, which cannot be done with the existing coins of three marcs—the thalers; fourthly, that no more thalers shall be struck, and the existing ones hereafter melted down and transformed into pieces of four or five marcs; fifthly, that there shall not be under the value of two marcs any more coins of low standard, and that those of five marcs, the coinage of which has begun, shall eventually be called in.

It is obvious that the application of a law to this effect would not meet with any difficulty, and it would be attended with important advantages. The German Government would be relieved of its monetary cares; it would be no longer obliged to seek issues, which do not exist for its silver; it would not be obliged to demand more gold than can possibly be supplied; it would avoid the losses ensuing by the continued fall of silver, and purchase of gold, which goes on rising; it would cease to fear the exportation of golden marcs; and finally, satis-

fied with having in the whole Empire a single denominational unity—the marc—it would leave the Germans free to make use at will of gold, or silver money, as was always practised in the States of the Latin Union up to 1874.

The coalition formed between France, Italy, Belgium, and Switzerland to resist the monetary enterprises of Germany would be at once dissolved. The monetisation of silver would be free in these countries, and there would be an end to a monetary war without precedent and without end, which is as contrary to scientific principles, as to the interests of the States by whom it is waged. The English market, and with it, the Continental markets, would escape from the crisis which is inevitable if the German Government persist in demanding more gold than can be furnished.

Is there an economist, banker, or statesman who can deny the reality and the importance of the advantages we have just enumerated?

II.

ENGLAND AND THE MONETARY REVOLUTION IN GERMANY.

THE gold coin of twenty shillings, or pound sterling, is the money of England.

If England had authorized the public to coin pieces containing each, in fine silver, fifteen times and a half the weight of fine metal contained in four shillings of gold (the fifth part of a pound), the currency of Great Britain would be bi-metallic, and as perfect as that of France. But it is not thus. Except the familiar coins, which are of a low standard, gold is the only legal tender in England.

The new monometallic School has taken advantage of this fact to shelter itself behind the English flag, and to call on Europe to proscribe silver money. Without the war of 1870 the advice of

the monometallists would have produced no effect. Victorious Germany, towards the end of 1871, believed that in listening to them, she would secure for herself a splendid prestige. What a superb thing it would be to disdain silver, and only condescend to handle gold! But since this school professes to copy England, we shall pass in review the history of English monometallism.

The bi-metallic French law of 1803 established the silver franc at 15½ times the weight of the gold one. But the bi-metallic American law of 1792 had fixed the silver dollar at the weight of 15 times only, the weight of the gold dollar. It was therefore found profitable by traders to have their silver coined in America, and their gold in France. They gained the fractional ½ upon the 15, which gave them more than a profit of 3 per cent. Gold, therefore, flowed into Europe, and silver into America.

What was England to do when, in 1816, she decided on resuming her specie payments? Was she to adopt the American 15, or the French 15½?

To find an issue from this embarrassment England took the course of only coining gold, which

appeared all the more convenient there being then much gold in the market, whilst the silver, as we have already shown, had been drawn to America. But, in adopting this course, England did not in anywise think of laying down a scientific principle, or of founding a monometallic gold school. So little did such an idea occur to her that she maintained, and still maintains, silver money among the 150 millions of Indians whom she governs. And she has always resorted to the bi-metallism of the European Continent to liquidate her accounts with Asia.

We should bear in mind, however, that before 1871 Europe had a bi-metallic constitution, imperfect no doubt, but sufficient for the common needs.

It was owing to this constitution that the English were always able to fetch from, or transmit silver to Paris or to Hamburg, and that the Germans could obtain gold from Paris or London, or send it there. Europe had employment for the silver money coming from Asia when Asia had to balance her accounts; and if, on the other hand, Europe had accounts to pay up in Asia she found

within her own States the silver money which she wanted.

How could payments between Europe and Asia, and especially those of England, be made if, like her, the Continent became monometallic? Where would we find silver for Asia, or what would we do with all that is sent from it if, while gold does not circulate in that part of the world, nothing but gold circulates in Europe?

Europe can only become monometallic on condition of rendering the rest of the world so. And to do this there would be two other conditions to fulfil. She would, in the first place, have to persuade all the inhabitants of the globe to get rid of their silver, to throw it into the sea, or to convert it into vessels of household utility; secondly, she would be obliged to share her gold with Asia to prevent the Asiatics, who had rid themselves of their silver, being without money.

The history of all ages, and that science whose inevitable laws human societies strictly observe, though no pen has ever formulized them, proves that gold and silver money are equally good. Mankind has ever made use of both, and ever

will, despite unfortunate local and temporary exceptions.

But to return to the comparison between the monetary arrangements of England in 1816 and those which Germany now is making.

Influenced by special circumstances England in that year decided upon only coining gold. But would she have done this if her anterior circulating currency, instead of being in paper, had been of silver? Paper has no intrinsic value. To get rid of it costs nothing. But it is a different thing to get off one's hand a precious metal which the owner has been crying down himself. An operation of this sort occasions the waste of millions. Will the monometallists who, in season and out, point to the example of England, dare to sustain that she would have adopted gold as her exclusive money, if she were first obliged to demonetise a milliard of silver francs? No. Nothing short of the intoxication of Sedan, followed by the intoxication of Frankfort could have hurried a nation into such an enterprise.

And have the United States, which, since 1834, have coined but gold dollars, demonetised a single

dollar of silver? Never. The proportion of 1 to 15, established in 1792, having had for its effect to send gold out of the country, Congress adopted a very excessive measure to act in a contrary sense. Instead of adopting the French 15½, the Americans, to stop the exportation of gold, regulated that the weight of silver dollars should no longer be as 15 but as 16 to 1 of gold. This was depreciating silver to an unnecessary extent. Directly the new law was put into execution the silver flowed so steadily to Europe, that one fine day, the Americans discovered they were monometallic. Though the coinage of silver money was free, there was nothing but gold in circulation.

Holland, a little country, hearkening to the economists, who were then hostile to gold, as they have since become to silver, was able in 1850 to demonetise her gold without much injury to any one. Acting with restricted sums, that nation easily found a demand among her neighbours for her demonetised gold, and was enabled in exchange to obtain the silver she wanted. But the most astonishingly incredible blunder in monetary history is the serenity with which, across the Rhine,

40 million Erostrates vote the demonetisation, the depreciation, the degradation of their metallic currency, without in the least suspecting the great mischief they work themselves and the other countries.

How much gold is there in the cellars of the Banks of England, of Scotland, and Ireland? Thirty-five million pounds sterling at the utmost. This is about the sum which Germany wants to replace her silver.

Can this gold at once suffice for the English cash reserve, and German circulation?

Certainly not. We are told that California and Australia will supply necessary gold. This is a bad calculation. Up to the present, the annual production of gold has sufficed for monetary needs, which go on increasing, and to industrial consumption, which is constantly rising. But it will not suffice to fill the yawning monetary gulf which was suddenly opened by the demonetisation of the German silver currency. Besides it is a well-known fact that the supply of gold is on the wane.

When, even, the Government of the Confede-

rated Empire already had in portfolio 35,000,000 pounds sterling in letters of change on London, could it venture to present them for payment and leave England without a sovereign in hand? Germany, which unhappily believes her dignity is bound up in realizing the scheme of gold monometallism, wishes to pass for moderate. But she cannot help drawing gold from London. The City journals do not hide their apprehensions. For some time they have ceased to admire the monetary revolution Germany has tried to accomplish, ostensibly in imitation of England.

Of all the different States, the one most directly menaced by the German operation is Great Britain. It is quite possible, that not to remain without metallic money, England may in our time do what she did not accomplish in 1816. She may authorize the public to coin pounds sterling of silver, in pieces of four shillings, and concurrently with gold, call them into circulation.

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III.

THE UNIVERSALITY OF THE 15½.

SINCE 1803, the silver franc has weighed 15½ francs of gold, and the silver marc now weighs 15½ marcs of gold.[1]

Let this weight of the silver marc be maintained;

Let us have a silver dollar weighing 15½ times the gold dollar, and a silver piece of four schillings weighing 15½ times as four gold schillings, that is to say, weighing sixty-two gold schillings.

Let us everywhere ordain that holders of gold and silver be free to take these metals to the mint, and have them coined.

[1] See above, p. 14.

Let us render it optional to all to pay in gold or silver specie.

Such is the international monetary programme that we defend. If carried out it would have for effect:—firstly, to give stability to the relative value of gold and silver; and, secondly, to reduce to a minimum the fluctuations of the buying power of money. We shall here explain how and why this double result would be accomplished.

The instability in the comparative value of the two metals arises from four causes which are intrinsic to the metals themselves: firstly, the increased production of gold; secondly, its diminished production; thirdly, the increased production of silver; and, fourthly, its diminished production.

The abundant metal is the least demanded. Its tendency is to be depreciated, whilst the scarcer metal becomes dearer. But, it is evident that if to increased production we oppose increased demand, and to decreased production decreased demand, there arises an equilibrium, and things remain unchanged. Now, precisely, the demand, which, without the adoption of the 15½, is for

the metal which is scarce, would, if it were everywhere in force, be for the one that is abundant, as we are about to show.

The bi-metallic law permitting each and every one to pay at will, in gold or silver, it is obvious that dealers in money will give up searching for the metal which is hard to find, and seek for that which is plentiful, to have it coined. Not being demanded the scarce metal will not rise in price; and, being demanded, the one which is abundant cannot fall. Both will end by being taken at a reciprocal value of one kilogramme of gold to fifteen and a half of silver.

Yes; if each person is everywhere free to coin gold and silver at the 15½ Standard, the causes which put in action the law of supply and demand will be interverted. It will be no longer the rarity, but the plenty which will occasion the demand, and, reciprocally, it will not be the abundance but the scarcity which will lead to the offer. Under the international regime of 15½, a kilogramme of gold on issuing from the mine will be worth 15½ kilogrammes of silver, for, in no part of the world can they make with it more

money than with 15½ kilogrammes of silver. Likewise, coming from the mine the 15½ kilogrammes of silver will be valued at one kilogramme of gold; for in no part of the world can they make with them more money than with one kilogramme of gold.

This fixity of the relative value, which appears prodigious, can be obtained without infringing on the liberty of the individual, because the legally granted option to pay in gold or silver, does not preclude stipulations being made in contracts, for exclusive payments to be made in either metal. In France people have been always allowed to make such a stipulation. But as no profit was to be gained, nobody thought of availing himself of this liberty.

The 15½ standard has for effect to constitute with the totality of gold and of silver, whatever variation the production of one or the other metal undergo, a new monetary mass, which perhaps we might be allowed to call *electrum*, on account of *the singular esteem of which it is worthy*.[1]

[1] See "Littré's Dictionary."

The two metals are not alloyed as they were in the *electrum* of the ancients. But each part of one metal (gold) is always worth 15½ parts of the other metal (silver).

We therefore have here a monetary mass, fully as homogeneous as if it were constituted of a single metal. It is, at the same time, the greatest mass we can possibly employ, since it embraces the totality of the two metals capable of serving as money.

It is admitted without contradiction that the greater the bulk of the monetary mass, the less strong the variations in the buying power of specie, when the monetary matter has suddenly contracted or expanded.

Suppose there were 10,000 tons of gold circulating in the whole world, and silver being every where demonetised; and suppose that an additional supply of 1000 tons were rapidly produced. What would happen? Gold would lose a tenth of its purchasing power. The same quantity of bullion would buy nine-tenths only, of what it would have bought before the appearance of the 1000 fresh tons. But, if the monetary

mass be not only composed of the 10,000 of gold but as well of the 150,000 tons of silver in actual circulation, it is doubled. Thanks to the universality of the bi-metallic 15½, we are exactly in the same situation as if 20,000 tons of gold or 300,000 tons of silver were circulating. What takes place on the speedy apparition of the fresh 1000 tons or of a corresponding quantity of silver? The monetary mass is simply increased by a twentieth, and, consequently, the diminution in the purchasing power of money is a half less.

When monetary production slackens, this circulation in an inverse sense holds good.

Should it be objected that the bi-metallic mass is exposed to the variations in the production of both metals, instead of to those of one, we would reply that greater regularity is probable in the production of gold and silver, taken together, than in the production of a single metal. To be brief, the employment of a bi-metallic currency is much more conducive to the stability of the purchasing power of money, than a mono-metallic one. If bi-metallism did not exist, we should be

driven to invent it; and yet so many people are anxious to do away with it.

The harder they fight the more we should strive to maintain, to explain, and to spread its application, in order that its beneficent action may be everywhere felt.

Commercial, postal, and telegraphic conventions bind together nations for the advantage of all and each. A bi-metallic monetary convention between the countries of francs, the country of marcs, the country of pounds sterling and the country of dollars would procure the following benefits:—

The two advantages above-mentioned: stability of the relative value of gold and silver, and reduction to a minimum of the variations of the buying power of money.

The advantage of raising the value of silver, the fall of which proceeds only from the refusal to admit the lingot at the mint.

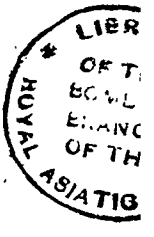
The advantage of avoiding the enormous losses caused in Germany and in Europe by the demonetisation of silver.

The advantage of preventing the monetary

convulsions from which all branches of trade and commerce will suffer if demonetisation goes on.

The advantage of securing the possibility to pay and be paid in metallic money, accounts between us and China, India, and other countries of Asia, where gold is not accepted, an advantage which would disappear if Europe ceased to employ silver as money.

Finally, there would be the advantage of rendering in France and the United States a return to payments in specie down, immediate, and of facilitating them in Italy, Austria, and Russia. Were but two of the Great Powers to sign a bi-metallic monetary convention, the future of the 15½ would be assured. But, perhaps, before diplomacy interfere, it may be well that the German monetary revolution should have gone through all its phases.



IV.

THE RESUMPTION IN AMERICA OF PAYMENTS IN SPECIE.

We must render President Grant the justice to say that there is no greater enemy than he of paper money, and that nobody desires more than he a return to a metallic money. We have already said (see our brochure, *Or et Argent*,[1] page 75) such a return would be very easy in America if Congress would allow the public to get silver dollars struck in the Federal mints, weighing 15½ times as much as the gold dollar, or, in other words, if the United States would return to the bi-metallic regime founded by Hamilton,[2] and adopted so successfully by France.

[1] Paris, Guillaumin.

[2] Some voices were raised in favour of monometallism but

There is but one way of getting out of the vicious circle of paper money. It is, to procure a great deal of metal. But, it will be objected, gold enough is not found, and if America had to wait until the earth brought it forth in quantities sufficient, she would be obliged to wait a very long time indeed before she could return to a metallic money.

The objection is just. But why not turn the difficulty by means of silver?

You have been since 1873 coining big dollars to

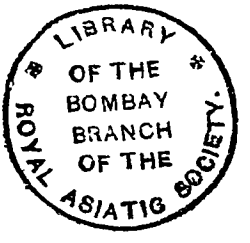
Hamilton the eminent minister whom Washington had placed at the head of the finances, was resolutely bi-metallic; "Contrary to the ideas which had previously prevailed, he proposed that no preference should be given to either gold or silver. The principal reason against such a preference was, that attaching the unit to either of the metals would destroy the office of the other as money, reduce it to a mere merchandize, and diminish the quantity of circulating medium, thus diminishing the utility of one of the metals" (History of the Republic of the United States of America, as traced in the writings of Alexander Hamilton, Philadelphia, 1868, t. iv. p. 272). Jefferson, who afterwards became President of the United States, and who was then Vice-President, emitted the same opinion. The Congress voted the bi-metallic law on the basis of 15, by virtue of which gold and silver dollars were coined, the latter containing fine metal fifteen times as much as the former.

compete in Asia with the Mexican piastre. You have also coined off half-dollars of the precise value of the half of a 5 franc piece in the hope of finding an outlet for this coin in the States of the Latin Union. You think it fair to employ your silver as money in Europe and Asia. Why do you not begin by setting the example at home?

It is absolutely false that silver metal is less noble than gold, or less suited for a monetary function. It even once happened that Holland found it served this purpose better, and she demonetised her gold accordingly. She was unjust towards this metal exactly as Germany now is towards silver.

France and the States of the Latin Union have always had reason to be satisfied with the bi-metallic regime of gold and silver. Act as they do, and fix a legal tender composed of the actual gold dollar, and of a silver one weighing 15½ times as much. All you will have to do is to render the debtor free to pay everywhere according to his choice, in gold or silver, under the same conditions, for maintaining between the value of gold and that of silver always and everywhere the same proportion.

All the metallic mass (gold and silver) that has been, or will be extracted from mines, rivers, and mountains, if used as money, would hardly be sufficient to do away with the opprobrium of paper money.



V.

SMALL ARGUMENTS.

It is objected that silver money is heavy, and that it undergoes a continuous depreciation. From this the conclusion is drawn that henceforth gold alone is to be kept as money. The first of these objections is old; the second is new; both have been recently sustained by two writers, M. Victor Bonnet, in the *Journal des Economistes*, and M. Paul Leroy Beaulieu, in the *Economiste Français*. The well-merited reputation of these economists imposes on us the duty of replying to them. We wish, in answering them, to say that if we qualify the arguments as "small" it is because they have reference only to the secondary bearings of the great question of the two metals. We shall begin by discussing the objection founded

upon the weight of silver. Suppose we have to pay the transport of this medium from one distant ocean to another. Will it cost more than gold? No. The freight is the same for 100,000 francs in silver weighing 500 kilogrammes as for 100,000 francs in gold weighing 32 kilogrammes and a fraction. The shipowner takes no account of the weight of gold, silver, diamonds, or other like precious objects. Again let us put the case that we have important payments to make in some great monetary centre. The affluent city of Hamburg for centuries paid exclusively in marcs. The marc was then a weight of silver. People then said a marc, as we say an ounce. The marc was never coined. Lingots of silver deposited in the bank of Hamburg necessarily weighed so many marcs, and merchants transferred to each other the ownership of marcs, without ever either seeing or transporting them. Nobody, therefore, had reason to complain of excessive weight or inconvenient bulk. Besides, this system of clearings and transfers between clients of banks, we have yet the bank-note payable to bearer, which can, in the general circulation, represent the metal deposited in the bank.

This paper is not heavier when it represents silver than gold.

Suppose we have to deal with small payments and pocket-money. No doubt the rich man prefers gold. But the artisan and the peasant are not fond of having their money in the small light gold pieces of 5 francs. They prefer silver coins, which escape less readily from their rough fingers. The advantages and disadvantages are on both sides balanced.

Silver money is quite as worthy a medium for large distant payments, for important home transactions, and for small running accounts. From any point of view, even when we consider the direct act of counting down, it is best to have a bi-metallic currency such as France has so long possessed without suffering thereby any damage.

We made the preceding reply, and published it two years ago. We are sorry to be obliged to repeat what has been said already. But what else can we do? When the terms of attack do not change, the defence can hardly vary. However, we shall adduce some facts in support of our previous answers.

We have before us two publications, one of which is Chaix' *Indicateur des Expéditions des Chemins de Fer*, and the other the *Livret des Tarifs des Messageries Maritimes*. In page 96 of the *Indicateur* we find "Gold and silver, whether in lingots coined or worked, articles plated with gold or silver, mercury, platinum, jewels, laces, precious stones, bank-notes, debentures, securities, bonds, are transported by fast trains, and at the rate per 1000f. and per kilometre of 0f. 002,772."

Turning to the *Livret des Messageries* we read, in page 19 :—"The tariff from Marseilles to Shanghai is, for coined gold and silver lingots, precious stones, bank-notes, debentures payable to bearer, and other paper securities, one per cent. upon the value."

Suppose, under the watchful eyes of the monometallists, we send 100,000 francs from Paris to Shanghai. At the rate of 0f. 002,772 per kilometre and per 1000f., the transport by rail on a line of 851, from Paris to Marseilles, amounts to 236 francs. The maritime transport from Marseilles to Shanghai at one per cent. comes to 1000f.,

making a total of 1236, or $1\frac{1}{4}$ per cent. of the entire value.

Whether we are dealing with gold, silver, or paper money, the sum of 100,000 francs is transported from Paris to the great port of Northern China, for 1236 francs. The conditions are the same for Japan. Save a very few exceptions, which must soon disappear, gold and silver specie are everywhere transportable at the same price.

There are three sorts of transport tariffs; the weight tariff, the bulk tariff, and the value tariff.

When things are transported according to weight, neither bulk nor value is taken into account; when they are transported according to bulk, neither weight nor value is considered; when they are taken according to value, the questions of size and heaviness are not raised.

If the sums to be transported are lost, the consignor pays for them. His risk in holding himself answerable for loss is met with a remuneration which is out of all proportion with the weight and volume, that are more or less insignificant, of the sums placed in his charge. This remuneration takes the form of the value tariff,

which once paid, the sender owes nothing more. In point of fact, he pays nothing for either bulk or weight, which accounts for the transport of silver money being no dearer than of gold or bank-notes.

To expedite 500 kilogrammes of lead from Paris to Shanghai costs 268 francs; to expedite 100,000 of gold, weighing 32 kilogrammes, entails an expense of 1236 francs; whereas to transport 500 kilogrammes of silver (we have here again the value of 100,000 francs) we do not pay, as for the lead, 268 francs, but the precise sum of 1236 francs which the 32 kilogrammes of gold cost us; and paper money, which is of insignificant weight and bulk, is taxed as high.

Governments, consignors, and consignees are of the same mind as to the fairness of these tariffs.

What, then, are we to say of the assertion of M. Victor Bonnet that "gold, as an exchange medium, has become the indispensable auxiliary of railways, electric telegraphs, and modern inventions"?

Should we not, on the contrary, lay down that,

owing to steam, silver has for distant consignments a fitness which places it on a par with gold? Its convenience for large and far-off payments is very much superior to what it offered in the time of stage coaches and carriers.

The telegraph has been alluded to. What in the world has the question as to whether monometallism or bi-metallism is the best for monetary purposes, to do with telegraphic intercourse? When in 1816, impelled by special circumstances, England, without having to operate any silver demonetisation, decided upon only coining gold, the electric telegraph was not even thought of.

With, or without electric cables, and whatever may be the inventions of modern science, silver will travel round the world as quickly as letters, and at not greater cost than gold. Railway companies and shipowners do not share the prejudices against it of the gold monometallists. By means of clearings, compensations, and notes on bearer, silver can, equally with gold, change hands in the twinkling of an eye, without stirring from the banker's safe. There are many who like handling gold; others prefer to finger silver.

Neither of them would be pleased if there was only a gold or a silver currency. Let us, in being bi-metallic, satisfy both.

The further bi-metallism spreads itself, the more permanent will be in each country the circulating mixture of gold and silver, to the contentment of all.

"It is a progressive sentiment," says M. V. Bonnet, "which leads nations to the gold standard." The reality, such as it appears to us, is this:—It happened towards 1858 that some writers, under the leadership of M. de Parieu, then Vice-President of the Council of State, undertook a monometallic campaign which brought forth no palpable fruits before 1871. In that year divers monometallists who had lived in Paris before the war—men of ability, but who did not see clear in this matter—profiting by the necessity under which the new German Empire was to establish monetary uniformity, dazzled it with the idea of the *éclat* it would derive from letting its fingers touch nothing but gold. An open ear was lent to the gilded serpent. To-day the bite is felt; but care is

taken to hide the sufferings which it causes. The disastrous effects, however, will soon be too general to admit of concealment.

It remains to us to discuss the other argument: "Silver is being depreciated; we must therefore get rid of it."

That silver is being depreciated is certain. The piece of a hundred sous and of a marc melted down is now only worth ninety-three sous and ninety-three pfennings, showing a loss of 7 per cent. But what has been the cause of this progressive fall? Why, the monometallists!

They have led Germany, and as a consequence the Latin Union, to abandon the coinage of silver. Wheat would be of small value if we did not use it for food. A precious metal loses greatly in price, when we cease to coin it into money. It is the monometallists who are the authors of the depreciation which, nevertheless, they point to as a proof of the unworthiness of the metal which they cry down. They resemble the people who, having tied up the legs of a horse, called out for him to be killed because he could not gallop. A

sage who was passing by undid the ligatures, and the steed flew off. Let Germany and France but raise the interdict they have placed on the coinage of silver money, and this noble metal will recover its entire value. Fifteen and a half weights of silver will buy one weight of gold, and a heavy financial burden will be rolled from the shoulders of England, France, and Germany.

The monometallic epopee has not more than begun, and already we see that there exists no longer a single and unique stock of silver of homogenous value, as there exists a single and unique stock of gold. There are two stocks, the great and the little. The lesser one is composed of the new uncoined silver, which is no longer sent to the mint, and which has undergone a fall of 7 per cent.; the greater stock is the coined silver, in thalers and in francs; and it is this one the monometallists would call in, and melt down, and which, in the meanwhile, has a forced currency at a higher value, than that of the lingot.

If the fall is already 7 per cent. on the minor stock, what will it not be when the greater one

comes to be melted down and is brought to the state of raw material? What an abyss will it not open!

Yet this fall is urged as a reason to push forward the work of demonetisation. Why, on the contrary, it is the sign of coming ruin, to avoid which we should lose no time in coining silver. In not doing this, we waste a patrimony of hundreds of millions of marcs and of francs. All this sterling metal will, if the monometallists persist, tumble with a crash. Monometallists of France and Germany! will you insist in pursuing the path you have entered? We trust the error you have fallen into will be remedied. We count upon the force of things, which sometimes prevents man doing himself all the injury that he wished. We also reckon upon the extreme facility with which the Germans can retrace the step they have taken. All they have to do to repair the mischief is to throw open their mint to holders of silver lingots as to the holders of gold, and let both metals there be coined into marcs.

GILBERT AND RIVINGTON, PRINTERS, ST. JOHN'S SQUARE, LONDON.

THE

FALL IN THE PRICE OF SILVER:

ITS CAUSES, ITS CONSEQUENCES, AND THEIR POSSIBLE AVOIDANCE,

WITH SPECIAL REFERENCE TO INDIA.

By ERNEST SEYD, F.S.S.

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PREFACE.

The mode in which the subject will here be introduced and explained.

THE recent heavy fall in the value of silver has become a pressing topic in England, because the equally great decline in the Indian Exchange causes serious losses not only to those who have investments in India, or fixed incomes therefrom, but to merchants and others dealing with the East, and the outcry is now,—What is the cause of this fall? is it temporary or is it permanent? where will it stop, and how can it be arrested?

But although these are now the pressing questions in England, the topic is an old one as far as other nations are concerned. It is that which has occupied the economists of various countries as the controversy concerning what is called the single *versus* the double standard, or the gold *versus* the gold and silver valuation. In this controversy, certain economists have so far conquered the situation; inasmuch as through their peculiar doctrines, several Governments, notably that of Germany, have adopted the gold valuation, and given up, or "demonetized" silver. Hence silver has, by force of the law required for the maintenance of the gold valuation, become a "drug" in the European markets, and the surplus European stock, together with the fresh

annual production of silver, is so much in excess of what the East can use, that no one can tell now to what extent silver will fall; and what is worse still, nobody can tell what is to supply its place as money. Indian pensioners or merchants, or the Indian people themselves, are not the only parties on behalf of whom Englishmen must interest themselves in this question. There are other countries in the same position as India. Obviously, what affects India and other countries, also affects the commerce of the world at large, and so both on behalf of our Indian and universal interests, identical as they are in a great measure with our own national prosperity, we are bound to pay attention to the subject.

That would have been done before now that India is knocking loudly at our doors, if England had not hitherto been the most unfavourable ground for its consideration. For England has had the gold valuation since 1816, and is not only proud of the fact, but imagines that the adoption of the same system by other nations is only an acknowledgment of English supremacy and policy. The essential error of this assumption must be made clear; but how is this to be done under the circumstances?

An investigator who, like the writer of this pamphlet, has before this issued books on the subject, predicting years ago that which has since taken place, although he was then laughed at as a heretic, is now beset with all sorts of special questions, which he is expected to answer according to the humour of the questioners. These questioners start a special case, form an hypothesis on a single "first" principle, and forget that this is a subject in which "many first" principles must be brought together. And when such first principles become international, when they involve, as in monetary problems

generally, all sorts of considerations on bank notes, gold, silver coin, cheques, and kindred matters—as they happen to come uppermost with inquirers, a writer must endeavour to proceed in an orderly way, and follow out a system of explanation which experience suggests to him as the most appropriate one for covering the whole of the controversial ground.

It is for this reason that the treatise here submitted is divided into three parts, viz. :—

1. Specie payments and their recovery. International wealth and international indebtedness.

2. The main question of the valuation and its present evil position.

3. Suggestions for restoring the equilibrium in the valuation.

The first subject does not appear to have any immediate connection with the Indian exchange and the fall of silver. Nevertheless it has, as will appear hereafter, a most important bearing on the main point. But besides this, as we in England are so well acquainted with and proud of our metallic valuation, we can better appreciate anything that is said on this head, and an author thereby gains the facility of bringing into the foreground certain facts and conclusions, on which he can agree easily with his readers, and apply them hereafter to the apparently more difficult problem.

The recovery to specie payments to which certain States are bound, is one of the *inevitable*, and not *wanton* causes of the present position of the valuations, and it is best that this *certain* ground should first be cleared and combined with useful statements, in order to show England's interest in and relation to this part of the general case. The consideration of the question of the valuations as founded on gold and silver—first its international aspect, and then its special importance

as regards India and England combined,—will lead to the suggestion for a remedy through which both India, the silver-valuing States, and the welfare of all other nations, may be secured against the immediate and uncontrollable revolution in commerce and civilization, which is now threatening the world.

THE

FALL IN THE PRICE OF SILVER;

ITS CAUSES, ITS CONSEQUENCES, AND THEIR POSSIBLE AVOIDANCE.

WITH SPECIAL REFERENCE TO INDIA.

PART I.

"Specie payments" and their recovery. International wealth and international indebtedness.

As stated in the preface, precedence is given to these subjects, not only because they are and will be found closely connected with the general question of the valuations and the office and value of silver, but because they give the opportunity of stating certain positions, and raise issues, on which certain plain first principles can be arrived at, necessary and useful for the better understanding of the many questions indicated by the title of this treatise.

The account of suspension of specie payments and the consequent loss of international wealth (a term hereafter to be more distinctly defined) involves firstly that of the causes. These are wars, revolutions, general, social,

and industrial decline; accompanied, usually, by mal-administration of the nation's affairs of finance. The literature on this subject is varied, it need not be referred to here. Nor do I contemplate here to give an account of the paper issues of France during the last century, or that of the United States in their War of Independence. Equally unnecessary would be an allusion to Turkey, Hayti, and the defunct Confederate States of America, and the several suspensions during the present century of certain other States, which were of a more or less spasmodic character. My object in the first instance is that of bringing before you the suspensions of specie payments (and the resumption or the progress and prospects towards it) which have taken place among *the leading nations* in a more or less deliberate manner. These, it will be found, have a most important bearing on the question of the universal valuation in its present stage.

The first noteworthy example of a regular recovery from suspension of specie payments is afforded by England at the beginning of the present century. In 1795 gold had already reached a premium of 5 per cent., but in 1797 the Bank of England actually suspended the payment of specie. In Tooke's "History of Prices" the quotations of gold, in bank notes, are given as—

1797	£3	17	9	per oz. standard, or par,				
1800	4	5	0	„	„	9	per cent.	premium.
1802	4	4	0	„	„	8	„	„
1804	4	0	0	„	„	3	„	„
1809	4	10	0	„	„	13½	„	„
1811	4	13	6	„	„	20	„	„
„	4	17	6	„	„	25	„	„
1812	4	15	0	„	„	22	„	„
1814	5	8	0	„	„	40	„	„
„	4	11	0	„	„	15½	„	„

In the year 1815, that of the return of Napoleon from Elba and the battle of Waterloo, the variations were,—

1 Jan.	11	per cent.	premium.
10 Feb.	14⅓	„	„
21 Mar.	20¾	„	„
31 „	37½	„	„
21 Apr.	36	„	„
19 May	35	„	„
20 June	33½	„	„
30 „	28⅓	„	„
4 July	23	„	„
11 July	19½	per cent.	premium.
4 Aug.	½	„	„
5 Sept.	14¼	„	„
20 „	11¾	„	„
10 Oct.	9	„	„
13 „	6½	„	„
10 Nov.	7¾	„	„
15 Dec.	5¼	„	„

Then follows the period from 1816 to 1819, in quarterly quotations,

1816.			
5 Jan.	4	per cent.	premium.
19 Apr.	2¾	„	„
9 July	1½	„	„
4 Oct.	¾	„	„

1817.			
17 Jan.	2	per cent.	premium.
21 May	2¼	„	„
19 Aug.	4	„	„
7 Nov.	3¼	„	„

1818.			
10 Feb.	6	per cent.	premium.
24 April	5	„	„
27 Nov.	6½	„	„
15 Dec.	4	„	„

1819.			
8 Jan.	6⅓	per cent.	premium.
20 April	5¼	„	„
9 July	⅙	„	„
20 Aug.	*Par.*		

The question might here be asked why, if peace was assured, and the premium in 1816 at ¾ per cent. only, did it again rise, until in 1819 it still stood at 6½ per cent.? It must be remembered that England, in 1816, adopted the gold valuation and repudiated silver. It therefore took a longer while to accumulate the gold required, and to this fact I shall refer again hereafter.

After the recovery of specie payments in England other nations also recovered their ground, from which, however, they had not so far departed. It is not necessary to refer to these matters, or to notice the

paper panic in the United States in 1837, and other events of that kind; suffice to say that from 1819, to 1848, all nations whose exchanges we cared to quote on our market, came back to the par of exchange on metal. Some had but a weak supply of gold and silver, and more bank notes than were beneficial, but there was no actual departure from the pars beyond what the conditions of *international balances of* trade required.

In 1848 the course of new political revolutions commenced. At the same time the Californian, and in 1852, the Australian gold-fields were opened.

Since then the following States:

England, Germany, Holland, Belgium, Switzerland, Denmark, Sweden, and Norway—have maintained their metallic parity;

France, only for a short time (1872) nominally departed from it, and is now stronger than ever; but the four following nations:

Austria, Russia, Italy, and the United States made over issues of paper money, so that specie payments had to be suspended, and they have not as yet recovered them.

Austria commenced in 1848; Russia in 1854; United States in 1862; and Italy in 1866; and the concurrence between great political events is clearly visible.

The quotations now following as regards Austria, Russia, and Italy, are not taken from actual premiums paid in these countries, for gold was scarce, and in the two former the silver valuation prevailed; they are taken from our London exchange quotations of three months' bills, and the departures from the normal rates of exchange and interest represent the actual departures from metal more truly.

Table showing the departures from Pars of Exchange (equal to premiums on Gold on suspension of specie payments) of Austria, Russia, Italy, and the United States, according to the quotations of the long exchanges in London stated

IN PER CENT. OF PREMIUM AT FOUR PERIODS OF EACH YEAR.

Years.	Austria.				Russia.				Italy.				United States.			
1848	Par	9	16	5												
1849	9	18	6	9												
1850	8	17	18	21												
1851	25	28	16	25												
1852	18	17	10	5												
1853	1	7	5	9												
1854	9	30	9	18	Par	15	4	17								
1855	18	19	18	9	4	5	6	10								
1856	6	1	2	1	9	1	Par	—								
1857	Par	—	—	6	1	3	4	12								
1858	Par	—	1	3	8	7	6	9								
1859	1	15	39	23	5	7	13	10								
1860	30	21	28	39	7	10	7	9								
1861	49	50	38	36	10	13	14	15								
1862	38	30	25	19	12	10	10	7					4	2	15	32
1863	13	10	9	20	7	5	4	17					55	70	25	52
1864	21	15	13	15	14	14	19	25					60	110	158	120
1865	13	6	9	6	25	24	24	25					100	65	37	47
1866	1	34	27	29	27	47	32	25	Par	15	9	6	40	27	56	46
1867	30	31	25	19	22	25	17	17	5	9	7	13	39	37	46	35
1868	18	14	12	16	16	17	17	17	16	11	9	5	42	40	46	35
1869	18	25	23	21	19	21	27	29	3	4	3	5	31	40	30	20
1870	21	22	29	22	29	31	40	25	3	2	7	5	20	23	16	10
1871	22	23	21	17	27	23	21	17	4	5	6	7	10	13	15	10
1872	14	9	11	9	17	17	19	19	8	7	9	13	8	12	14	11
1873	8	8	11	13	19	19	20	19	12	15	15	17	14	19	10	6
1874	9	11	9	8	17	16	15	16	15	12	10	9	10	14	9	10
1875	9	9	10	12	15	16	21	21	9	8	6	7	12	16	17	13

Although, as you will see, there have been considerable reductions in the premiums up to the end of last year, all the four States are making but slow progress towards final liquidation, in comparison with what England did. And at the same time, whereas England incurred an immense debt at home out of *her own resources*, these four States have called largely upon *the resources of other nations* by giving over to them the greater part of their State debts. They have not only parted with their local wealth in metallic currency, but have used and strained their international credit. They have a paper currency awaiting replacement by metal, and they have become internationally poor.

How can the *internal* false valuation be set aside? How can the *international* indebtedness be discharged? For both evils have an influence upon each other, and require a regular process of liquidation.

Here it becomes advisable to show what is international indebtedness as against international wealth.

The so called civilized nations of the world may be divided into two great categories:

1. *The internationally wealthy nations:* England, Germany, France, Holland, Belgium, Switzerland, with perhaps Denmark and Sweden, as *creditors*.

2. *The internationally indebted nations:* Austria, Russia, Italy, the United States, British colonies, Spain, Portugal, Turkey, with the South American republics, as *debtors*.

The following statement will give some idea as to the relative position.

The *total State debts* of the nations may be given as amounting to £4,400 millions.

Of these the following nations may be said to be the *Holders of their own debts*, viz.—

Nations.	*Debts.*
England	£785 millions.
France	750 „
Germany	165 „
Holland	80 „
Belgium	36 „
Denmark	14 „
Total	£1,830 millions

That is to say, although the French, Dutch, and Danish debts are dealt in on other bourses, yet substantially these nations are internationally wealthy. The French debt is now almost entirely held in France, and the English and German debts have always been kept at home.

The following nations, however, may be said to be *Debtors to other nations*, viz.:—

Nations.	*Debts.*
United States	£450 millions.
Austria—Hungary	346 „
Russia	275 „
Italy	251 „
Spain	260 „
Turkey	215 „
India	106 „
Egypt	95 „
Mexico	79 „
Brazils	68 „
Portugal	66 „
British Colonies	63 „
South American and other small states	295 „
Total	£2,570 millions

Of this total the majority is held by the other nations. A great portion of the American debt is held by the people of the United States, but Europe holds about one-half. The bourses at Vienna, St. Petersburg, &c., deal in their own debts, but the total of the sums so held at home by these nations does not exceed the amount of £600 millions, so that deducting . £570 millions

There remains . . . . . £2,000 millions

in which these nations are indebted to the others.

That is to say, these *debtor nations* not only hold no foreign debts by way of investment, but their own debts are held elsewhere, and they may be described as *Internationally poor nations,*

In juxtaposition to

The *Internationally wealthy nations*; and taking the money value of the debts (before the late Turkish collapse) as at . . . . . £1,700 millions
it may be stated, according to fairly reliable estimates, that

England holds	. .	£800 millions.
Germany „	. .	450 „
France „	. .	400 „
Holland, Switzerland, Belgium hold		100 „
		£1,700 millions

The three nations: England, Germany, and France, are consequently the chief *internationally* wealthy nations (Holland being the next in order). But besides their holdings in foreign state debts, they have investments *in foreign railways, &c.,* and there are *foreign balances of trade* in their favour—so that

the clear international wealth may be given as—

for	England	from £1,000	to	£1,100	millions.
„	Germany	„ 550	„	600	„
„	France	„ 500	„	550	„

Before the war, France held the second place to England; since then some £200 millions has left the country to pay Germany, and in exchange for the French new debt; Germany has gained about £150 millions. The rapid recovery of France, and the large annual profits of its international commerce, will soon place the country again in its former position.

The importance of the item "international wealth," in its relation to the general wealth, the balance of trade, and the basis of the valuation by metallic currency of a nation, in contradistinction to the evil of international indebtedness, may now be shown by a comparison between the constituents of the wealth of England and the United States.

Wealth of England.

1. *Local Wealth* in lands, buildings, and immoveables, in occupation for the purpose of production or comfort. Among the total wealth of England, as estimated at between £8,000 and 9,000 millions, this item is a considerable one. But it has no immediate reference to international wealth, although in event of the country becoming poor, it might serve as security to foreign investors. Happily, our local property is too well protected by other layers of wealth. The amount of such local wealth (many estimates notwithstanding) had best be expressed by £?,000 millions.

2. *Internal Wealth* in moveable commodities, including objects of art and luxury. Although these are in local use, and their value, in great measure, dependent on our own estimation, yet they have an international value. Other commodities of the ordinary description, though saleable, constitute no element of international superiority, but their surplus is realizable. The amount of the total moveable property in England may also be stated by an indefinite £?,000 millions.

3. *Public Works Wealth*, such as railways, canals, and other enterprises, in which certain mines might be included, constitute a property transferable by shares and obligations. The amount so available at its present value might be stated at £1,200 millions.

4. *The State Debt* of this country does not concern the foreigner; it is immaterial to him whether one section of the nation owes money to the other. Nevertheless, inasmuch as it exists, by way of recognised credit of a nation, in an available practical contract form, it is transferable and saleable, and may be considered an item of reserve of £780 millions.

But not only does England hold its *local, internal, public works* wealth, and *state debt,* entirely free of any foreign claims whatsoever upon them, it holds also—

5. *Its International Wealth, i.e.,* claims on foreign States by debts, railway and public enterprises abroad, balances of trade, &c., amounting, as by the statement previously submitted, to say £1,100 millions, yielding an annual income of from £40 to 50 millions. This is the great reserve which, not only as long as it exists, protects the previous items of wealth against any possible encroachment, but is at the same time the extra strata of capital at rest, and from which—

6. *The Active Capital* of the country and the currency can be reinstated at will. According to an estimate, prepared by Mr. Richard Seyd, upon a system whose legitimate ground can be shown, and which has been subjected to the approving criticism of the most reliable authorities, the total of the active capital of the country engaged in banking, manufacturing, international and wholesale commerce, (capital and commodities for retail trade being included in the former items of local and internal wealth,) may be taken as amounting to £920 millions.

Finally, there is—

7. *The Currency,* consisting at this time (1876) of—

£105	millions	of Gold coin.
18	„	„ Silver and Copper coin.
35	„	„ Bank of England notes on £20 millions of Gold bullion.
15·8	„	„ Country notes.
£173·8	millions,	of which are *in circulation* £160 millions, there being Bank notes of £11·8 millions not in circulation.

The actual *circulation* therefore consists of—

£105 millions Gold coin.
18 „ Silver and Copper.
20 „ Bank of England notes on bullion.

£143 millions in Metallic basis.
19 „ „ Bank notes not issued on bullion.

£162 millions *good Currency in circulation.*

England accordingly possesses—

£?,000 millions *Local immoveable wealth.*
?,000 „ *Internal moveable wealth.*
1,200 „ *Public Works, &c., wealth.*
780 „ *Realisable State debt.*

with an intervening first reserve of—

£1,100 millions of *International Wealth.*

and for its wholesale commerce—

£920 millions of *Active Capital.*

and finally—

£162 millions of *Sound Currency.*

What now is the relationship of the Currency of £162 millions to the millions of capital, international reserve, and the wealth beyond? What is its office in the system of intercourse, its origin and rightful position? In no country can this be shown more distinctly than in England; the *currency occupies a definite range in the system of mutual exchange, as that on which the value of labour and of commodities ultimately depends.*

The social commercial intercourse, as far as its method of procedure or settlement is concerned, may be divided into two main stages:—

1. Methods of settlement without currency.
2. „ „ „ through currency.

The following strata fall under

the Methods of Settlement,

without Currency.

In	*By*
Financial business, public works, railways, &c.	Accounts, banking, cheques, and clearing systems.
International commerce, Export and Import, &c.	International Bills, shipments of Bullion.
Wholesale Inland trade and manufacturing.	Inland bills, cheques, and banking generally.
Large retail and professional business.	Bankers' Counter business, cheques, and large notes.

involving in the settlement per annum,

£6,000	millions	London Bankers' clearing,
1,200	„	Inland and Foreign Bills,
55	„	Bullion (1873),
,000 ?	„	Country Banking,
,000 ?	„	Bankers' Counter business.

Whilst the *strata of business* to be settled by *actual money* or

through Currency.

viz., Retail trade, payments from pocket, &c.	are carried on by the *daily turnover* of £162 millions of currency now in circulation.
Wages to industrial classes and dealings between the working classes—	

This distinct separation in the methods of settlement of business rests upon perfectly natural ground. All the contracts incurred, which can be discharged by accounts, banking, cheques, and clearing systems, require no currency for their conveyance from one party to another; on the contrary, the use of such currency would be an inconvenience. But just as much as the mechanical facilities afforded by such mutual exchange of contracts are a convenience up to certain amounts, so would this mechanism be inconvenient for smaller amounts; hence for certain strata of contracts a actual currency

must be used. The degree of perfection which our banking and clearing facilities have reached in this respect may be inferred even from the recent experience of the Cheque Bank. This establishment endeavoured to fill up a gap between the clearing system and currency by the issue of small cheques. But its comparative non-success so far proves that the range of the currency is well settled and defined, and firm for the time being.

For certain strata of business, then, the circulation of actual money is essentially regular. It is dependent on—

1. the number of population,
2. the production,
3. the consumption,

as the first three factors; to which, with—

4. the current prices, *it forms the fifth factor,*
5. *the numerical quantity of money required.*

And so regular is the proportion which it assumes in this combination, that even in the event of crises no more money is required or can be used. The amount of currency may increase or decrease with the population, and the consequent increase of the other factors, but this is naturally a gradual progress. A decrease of prices will lessen the amount of money required; and *vice versa*, a decrease or increase of currency will enforce a decline or a rise in prices. In England, where the Government is not embarrassed, nor tampers with the currency through an overwhelming paper issue, where the coinage of gold is free, the amount adjusts itself. Not only does the international trade of the country bring a profit of from £30 to 40 millions, but the increase from international investments is £40 to 50 millions per annum. This total profit goes partly in payment of commodities of necessity and luxury imported, and partly

to increase of international wealth, but it also brings an importation of from £30 to 35 millions of gold and silver per annum, from which we need but hold back from £1 to 2 millions for our own currency requirements. Our superiority in commerce and manufactures is thus assured by a self-acting process of proportions between prices and currency, as the basis for the whole superstructure of value. *And for the purpose of this inquiry the "numerical" character of this relationship between all the factors and the currency must be kept in view.*

Thus, in all the items which constitute wealth, we in England *are creditors.* France and Germany are in a similar favourable condition. They own their lands and commodities, their public works and State debts, their international wealth (though not so large as ours), their capital and good currency. Holland and other small states have a balance to spare, or at the least balance their affairs.

Of the *internationally indebted nations* the United States of America afford the most interesting example in comparison with England, as the following statement may show:—

WEALTH OF THE UNITED STATES.

1. *Local wealth* in lands, buildings, and immovables. Although the country has more lands, yet the question of its value is one for the future—the present local value at least does not constitute international superiority. The great bulk of property of this kind is held, as a matter of course, by inhabitants at home; nevertheless a number of millions of money are invested by European capitalists in lands, in mortgages, and otherwise, and this may fairly be taken as amounting to £20 millions. The American Government estimates

the total value of properties of this kind at about £5,000 millions, but it had better be taken as £?,000 millions.

2. *Internal wealth* in movable commodities and objects of art and luxury. The value of objects of art cannot be compared with those of England, but of articles of luxury the United States possess a considerable quantity; most of these articles are of a transitory character, and more or less quickly consumed. As a reserve of international value it had better be stated by the formula £?00 millions.

3. *Public Works Wealth, &c.*—The railways in the United States are valued at 3,800 million dollars or £760 millions sterling. One-half of the sum is owing mostly to debentures, of which it is stated that more than £100 millions have been placed in Europe during the last twenty years alone. Other public works in America, and mines (on which the "good" claims of European capitalists are considerable), may swell the value of this kind of property to £1,000 millions —of which between railway shares and debentures, mining shares, and various claims, a sum of £150 millions can be taken as owing to Europe.

4. *The State debt* of the United States amounts to £450 millions at present. It is estimated that £220 of this are held abroad (£80 millions alone in Germany). Together with some of the holdings of individual State debts—the total so held in Europe is probably underestimated at £210 millions.

5. Of *international wealth*—in foreign State debts or claims on other nations—the Americans have *none*, this item being reversed to *international indebtedness*.

6. *The active capital* of the merchants and industrials of the United States must be considerable. The so-called issuing banks are returned with 485 million

dollars, or £100 millions—and so must the inland traders have large means. But if this total capital, for argument's sake, be taken as high as £400 millions, it must be borne in mind that both the import and export trades are chiefly under the command of European capitalists, and that there is an international indebtedness on this account of probably not less than £40 millions. (The so-called "gigantic" capitalists in America and possessors of property fall under the same category as our wealthy aristocracy.) There is finally—

7. *The currency of the United States,* consisting of (at end of 1875).

$347	millions	of national bank notes.
371	„	legal tender notes.
41	„	fractional currency.
40	„	specie (Californian currency and subsidiary coinage.)
$802	millions	of which, less the—
$40	millions	specie currency,
20	„	gold in banks,
60	„	gold in treasury,
$120	millions,	

$682 millions, or £136 millions are *pure paper* money and inconvertible, the premium on gold being still at 13 per cent.

In order to bring this £136 millions of pure paper issue to the mere verge of convertibility, a minimum of £50 millions in gold would be required, and this figure is the *least* in which the American people, so to speak, are indebted to the universal stock of gold at this moment.

The American wealth may therefore be stated as—

£?,000 millions of *Local immovable wealth,*
00 „ of *Internal movable wealth,*
1,000 „ of *Public works wealth.*
450 „ of *State debt,*
400 „ of *Active capital,*
30 „ of *Gold,*
as items of *credit*;

against *items* of *debt,* in *international indebtedness.*

£ 20 millions in *foreign holdings of lands and mortgages, &c.*
„ 150 millions in *railway and public works, debentures and shares.*
„ 210 millions in *State debts, &c., held in Europe.*
„ 40 „ in *international capital.*

£400 millions, which, with the £50 millions required for recovery of specie payments give £450 millions *as total international indebtedness.*

I do not think that I have overstated the case, but whether the total be more or less, let me call your attention to the true nature of such international indebtedness. State debts to a larger amount than that of America can be incurred within the frontiers of the State itself, for so long as the contract involved remains "at home," it is a matter of internal consideration—of no great harm in international relationship. It is also easier to liquidate such debt by proper taxing arrangements; and the only favourable feature in the case of the United States is that so much of the debt has already been paid off "at home." But whilst at home such debt is of the nature of an irritating fleabite (as Mr. Disraeli has it), it becomes, as an external debt, an open, *ever-bleeding wound* to the nation. It

involves not only a yearly outflow from the country of the interest due, but also the repayment of the principal, and not until this is done can the country claim to have balanced its affairs, apart from the probability of acquiring international wealth. The rough plea, "one hand washes the other, and it suits the Americans to borrow money," is that made by the usurer in reference to his client; it does not set aside the fact of the indebtedness and its consequences.

How can the United States recover from this state of indebtedness? That is easily answered. "They must turn the balance of trade in their favour *by exporting more* and *by importing less.*" But that is not so easily done, for that balance is now too much against them. The points by which this can best be tested are the following:—

Previously to 1848 the UnitedStates, although always trading much on bank notes, had a metallic currency far larger than the £20 millions of gold now held by the banks and the treasury. From 1848 to 1875 the total produce of its mines (gold about £270 millions, silver about £52 millions), amounting to £322 millions, has been all exported, and, as said before, less metal is in the country now than before 1848. This is at the rate of £12 millions sterling per annum. But that is not all. The bulk of this export falls between 1862 and the present time. During the same period also the Americans *remitted* to Europe part of their national debt and other debentures, and making due allowance for what has been useful in this way for public purposes of development, the clear remittance is not less than £300 millions. This, together with the bullion shipments, would give an international balance of £29 millions per annum against them. And here this fact must be noted: up to the end of 1874 the remittances of debt

continued; since then, on account of the prices of the bonds, they have ceased, so that the present annual tribute must be paid in something else than debt.

It may appear, in the first instance, that the principal cause of the international debt, taken at £400 millions and 6 per cent. per annum, gives a clear balance of only £24 millions, whilst £29 millions appear as the actual one. There must be a second cause for this. The fact is that the people of the United States, in spite of the immigration, which has brought many millions of cash into the country, in spite of the productiveness of the soil and the advance in manufactures, have always imported more than they exported, and if they had no international indebtedness, the balance of trade would be against them. This could be borne formerly with ease, but just now it is the first thing that must be corrected, before the liquidation of the absolute indebtedness can at all begin.

It is not necessary here to refer to the moral aspect of this separate cause of the balance of trade being against America, nor need I enlarge upon the example of England, when after 1816, loaded with a heavy debt, the people recognised the burden, and under wise direction recovered their ground; or refer to the present example of France, which has so rapidly, assisted by the abnegation of the population, regained its international prosperity. What is here to the purpose is the necessity of the Americans to do likewise. It may also be admitted that necessity and pauperism have already compelled the United States to import less and export more, but what has been done so far is but insignificant, is but the work of absolute pressure, and not that of intelligent action on the part of the people and the statesmen. Although there are many thrifty minds in America, yet the great portion of

the inhabitants live too luxuriously on foreign imports. And among the statesmen of America there is too much idle phraseology current as regards "the splendid resources" of the country. Whereas England recovered specie payments within four years after the great wars, without any assistance, America, in spite of its loans and advances from abroad, after ten years have elapsed since their gigantic struggle ceased, still suffers from a premium of 13 per cent. on gold. The President of the United States began, ten years ago, to twaddle about recovery of specie payments year after year. And although it is now proposed to reduce the paper issue by about £5 millions per annum, yet that will be too slow a process towards recovery.

For here arises this consideration: that unless paper currency is reduced more rapidly, the inflation of prices, *i.e.* the bar to export and the encouragement of imports, will continue too long. It must not be supposed that because the Americans say "the amount of currency per head of population is not in excess of what it is in England," therefore, there is not too much; nor must it be supposed that the mere premium on gold indicates the degree of difference in prices, it is but the point of settlement of exchanges; the inflation remains *against* export and *for* import. The premium on gold itself shows clearly that the amount current is too much. As I have before demonstrated in regard to England, the currency is a numerical factor which must be in accord with population, production, and consumption *and prices*, and if these prices are too high, the currency is inflated, in spite of the numbers of the population; and if the export must be encouraged, prices *must* be made to lower by contracting such currency.

It is obvious that this lessening of prices will create

great difficulties in the internal contract system, that the value of property will decline and so create a struggle with the so-called fixed contracts in debentures, mortgages, and advances incurred upon it. Capital endeavours to save itself from these consequences, but the longer the delay, the more difficult becomes the settlement, the more remote the chance of liquidating international indebtedness. Hence the recent party fight in the United States between the inflationists and the specie faction. And here one lesson must be derived from the issue of that struggle. Matters of currency are accepted by the masses of people, as *quasi* matters of fate. Yet here in England we are prepared to admit that if the inflationist party in America had been successful, the country would have rapidly gone to further decline. It follows, then, that in matters of currency, *human intelligence* is a most important element, and we may remember this for a future purpose in this treatise.

In the meantime two questions here arise :—

1. What changes of prices must take place in America to encourage export and discourage import, and how will this react upon the rest of the world?

2. If America requires £50 millions of gold as the least sum upon which specie payments can be restored, what will be the effect upon the stock of gold generally?

These questions, however, are not confined to America, which I have quoted only as an example of the four principal States. Austria, Russia, and Italy are in a similar position of international indebtedness as regards State loans, public works, and commerce. Russia has a State debt of £275 millions, Austria £346 millions, and Italy £251 millions, the greater portions of which are held abroad. And the amount of inconvertible paper money in these three States may be taken at a mini-

mum of £300 millions; so that, together with that of the United States (and irrespective of several small countries in the vortex of over-issue, irrespective also of Turkey), an amount of £450 to £500 millions of such currency struggles for recovery to specie payments. It may be assumed that with a total sum of £150 millions of gold, it would only just be possible for these countries to return to a specie basis; ultimately more would be required. The question as to the influence of this necessity on local and international prices rests in the first instance on its own merits, and in the second instance on the demand for a minimum of £150 millions of gold on the general stock of money. For whilst the indebted states must strive to lessen their imports and promote exports, prices must necessarily fall in the internationally wealthy states,—whilst the diminution of the solid currency of the latter, from the demands of the former, is a second and confirmatory cause of such fall in prices.

Before 1848 the amount of gold current in the world may be stated as having been £400 millions (independent of jewellery, &c.). Since then an amount of £350 millions has been added (the total production being about £500 millions), so that the present stock of gold coin and bar gold for banking purposes may be stated at . . . . . £750 millions.

At a rough estimate it may be stated that this stock is distributed as follows:—

England .	£130	millions.
France .	„ 220	„
Germany .	„ 100	„
Belgium .		
Switzerland		
Holland .	„ 50	„
Denmark .		
Sweden .		

The rest of Europe with indebted States .	„	60 millions
United States	„ 30	„

the balance of £160 millions being distributed in the East, Egypt, Persia, Japan, China, the British and other colonies, South America &c.

In considering the claim of £150 millions, which the over-issuing States will make upon this stock of gold, it is necessary first to dispose of certain idle phrases which are frequently advanced. It is said, "Oh, the new gold found will supply the £150 millions." It is perfectly immaterial whether this requirement is satisfied from out of the stock already in hand, or by interception at the source from which the reservoir derives its accustomed supply. Others say, "Let jewellery be melted down." This is not a case where patriotic ladies come forth and supply the king with money (and such supply has always been small); on the contrary, the supposed increased value of gold will have the tendency of increasing its appreciation for ornamental purposes. Then it is said, "We can issue more bank notes." If bank notes are full equivalents in substitution for gold, there is no reason why we should not, for the purpose of turning them to account, use more now. When other nations reduce their currency of bank notes because of the evil they bring, we are all the more compelled, for the maintenance of our own solid stock of money, to be chary of their use. Lastly, it has been said, "Let other nations adopt our clearing system and thereby save currency, as we do here." Supposing that our clearing system is a product of our better organization or civilization, it is evidently wrong to make this matter

turn upon the enforcement of the same on other nations. Systems akin to our clearing system have been in existence from time immemorial, and in all civilized states the bulk of commerce is conducted on similar methods of settlement. Both the French and German central banks render such services to the communities; in America the clearing system is in high perfection. And moreover, plausible as it seems, the clearing system with us does *not* lessen, it rather increases the amount of circulating coin. True, if the London bankers went back to the old semi-barbaric system of carrying about notes or gold from one to the other, two or three millions more of money would be required: but nevertheless it must be mentioned that since the perfection of our clearing system from 1844 to the present date, the circulation of actual money has increased by about £40 millions in gold and several millions in silver and bank notes—proving the rule that an improvement in one of the essential factors of commercial intercourse brings about better efficiency and an enhanced use of *all the good factors* of a system.

I notice these more or less thoughtless sayings in order to show that they are quite inadequate to meet this case; but even if they were available and could now be made so, they cannot compensate for the "negative" involved in the demand of £150 millions upon the stock of gold. This matter remains distinct. The enormous increase of transactions and commerce since 1848 is mainly due to the continuous supply of the medium of exchange with which the labour markets have been set in motion; it is a matter of proportion in numbers. Here, then, we must face the prospect of a redistribution, and consequent proportionate lessening of the numbers involved on the one side of currency. A prognostication as to the extent to which the whole adjustment will

change, as regards prices, production, and mutual exchange, cannot be definite. Some conclusion might be founded on the amounts involved in the production of gold, which is now lessened, not only actually, but still more so by the lesser annual per-centage on the larger stock in hand.

And from the point of the much greater extent of transactions and their prospective reduction the present international indebtedness acquires increasing might. In the history of commerce of former times, the indebtedness of nations seemed overwhelming when it was expressed in millions of francs, roubles, or florins; these millions are now as large in pounds sterling. It is impossible that these nations can continue to be the bond-slaves of others by way of annual tribute and industrial inferiority through over-issue of paper. If hitherto they have been able to keep above absolute ruin (above the abject fate of Turkey) it has been so because there was sufficient social and political strength to spare, but the abstraction from that strength is nevertheless a fact. It is a significant fact also, that whereas since 1848 the increase of gold has almost entirely gone into the hands of internationally wealthy nations, the indebted nations have in a far greater measure increased their obligations and their paper currency—*i. e.*, instead of participating in the increase of actual money, they have widened the gap. The statesmen and social leaders of these nations, like those of America, instead of teaching all classes that a policy in favour of self-abnegation and encouragement of industry is the only one which can liquidate the indebtedness, have paraded "the resources of their countries and the prospects of the future;" but this must now come to an end. The tables which I have before submitted, show how slow has been the recovery to specie payments; how at the present time, after so many

years, it drags its slow length along, especially in America and Austria. They are evidence of the increasing difficulty, and lead to the suspicion that some untoward event or revolution in the present general financial situation may arise, which in some way or another, will *nolens volens* expedite the process, for the good or the evil of the prosperity of these states, and that of the commerce of the world at large.

The objects for which this part of the treatise has been written will now appear. That which has been said regarding the subtle causes which constitute international wealth and international indebtedness affords, at all events, some figures which can serve as a guide for restraining the wide-mouthed phraseology which is so often inapplicable in cases of this kind. The distinction drawn between capital and currency may show, that the office of the latter is one which can be defined in clear terms. It proves that the mere question of currency, in the first instance, is one of inconvertible paper issue against metallic money. In the second instance, the question of metallic currency is eminently one of due proportions or numbers, without reference to the one or other metal in use as money; for whether, for argument's sake, the amounts given before in gold, were stated in silver, that would make no difference in the general result so far. Lastly, it may have been shown that the "depreciation" of a nation's currency is in itself not only a consequence of evils, but becomes in itself an obstacle to recovery. And whether this weakness or depreciation of a currency is due to over-issue, or whether it is raised, as in the case of India and the silver-valuing states generally, by a league, so to speak, of other nations against silver, it is the most damaging thing that, short of conquest and slavery, can happen to the prosperity of a nation.

Beyond this, however, the subject of the recovery of specie payments by the states named, and the question of international indebtedness, can now at once be connected with the subject of silver, and one important conclusion drawn to save time hereafter. The question may be asked,—

"Why do the over-issuing states, instead of trying to restore their metal basis by gold, not take silver for this purpose? Silver has now fallen in price; they can have it on better terms than formerly; and the United States, for instance, might retain their large silver production, instead of exporting it."

This apparently rational and reasonable suggestion must meet at once with this categorical answer:—

"So long as these internationally indebted states have the balances of trade *against* them, they cannot import or retain either gold or silver—however cheap the one or the other may be; they *must* export both."

Further,—

"Whenever the balance of trade at some future time does turn in their favour, they would be bound to exercise its right in favour of that material which all other nations use; and if that material is then *gold*, they must also take it and reject silver!"

To these conclusions we must come, but they are only two of an especial bearing, spoken of here, in order to clear the way for many others resting on first principles —which may be gathered from the next following part of this treatise.

PART II.

The "main question" of the valuation and its present evil position.

THE main question involved in the demonetization of silver has recently attracted public attention in England, because the fall in the value of that material and the Indian exchange, to the great alarm of Indian interest, brings it under our consideration.

But India's interests are only a part of the general question, there are other nations dealing in silver, or in gold and silver combined; and further, the interests of *all* nations, including those dealing only in gold, are bound up with it, and the latter part of the inquiry will be found to be the most important.

What does the demonetization of silver mean? For the information of those not already familiar with the principal facts of the case, the following remarks may be useful:—

Gold and Silver have served as legal tender money from time immemorial; that is to say, payments to any extent could be legally made in either the one or the other material in proportions of weight to value, which, either upon the real or assumed difference in degrees of "nobility" between the two metals, or according to national practice, influenced as much as necessary by international practice, assumed a definite figure in the coinages. Although these proportions differed at various times in different countries, within a few per cent., they may be stated as one part of gold equal to 15½ parts of silver. Until the beginning of this century silver was the principal standard for legal tender.

The French, during their great revolution, adopted both metals as legal tender in the precise proportion of 1 to 15½. France, Belgium, Italy, and Switzerland, in 1856 formed the so-called "Latin monetary union," confirming these proportions; and a few other States placed their valuation upon the same footing—the so-called *gold and silver valuation.*

In 1816 we in England adopted gold as the only legal standard, assigning to silver coins the office of change, or divisionary coin, limiting its tender to £2 in amount. The motives for this change in England's system were founded on a controversy which originated last century, and after the Continental wars it appeared proper to the statesmen of the time to choose a valuation based upon *one* metal only. The propriety of this step is what we shall have to consider, at least in its relation to the *present* position of affairs whatever it may have been at that time. Other States, Portugal, Chili, Turkey (before 1870—and others since then), joined what is thus called the *gold valuation.*

In Germany and other states, the silver valuation continued. That is to say, the principal medium of exchange consisted of legal tender silver coin, besides what is called silver change—and gold coins were held at a market price, *i. e.*, everybody could give for them what was agreed on between buyer and seller. India and the East generally adhere almost entirely to silver. The States of this category were on the *silver valuation.*

Three principal groups were therefore formed, and existed in **1870** as—

In Metallic Currency.

England
Portugal
Chili
Australia
} the so-called Gold valuation.

France
Belgium
Switzerland
Spain
New Granada
Ecuador
Peru
} the so-called Gold & Silver valuation.

Germany
Holland
Sweden and Norway
Denmark
Mexico
Central America
India and China
} the so-called Silver valuation.

To this the *fourth group* must be added, which, belonging to either one or the other metallic group, in reality have—

No Metallic Currency

Turkey, Brazils — Gold
United States, Italy, Greece — Gold and Silver
Austria, Russia — Silver
} having an inconvertible paper valuation at present.

The characteristic of the *Gold valuation* as regards silver is, that for the purpose of making gold the effective legal tender, the tender of payment in silver *must* be restricted. Thus, whilst gold coin in England is legal

tender to any amount, silver is restricted to payments up to £2. The effect of this limitation is, that comparatively little silver can be used; and so, whilst our total circulation is £162 millions, there are but £15 millions of silver. And more must not be coined for the time, because the circulation cannot take more under the above condition of tender. It is often the case now, that large sums in silver collect in the hands of bankers, and lie there idle at loss of interest to them. At the same time, such surplus amounts cannot be exported, because, just in order to avoid any exportation of the already limited amount to the great inconvenience of trade, the silver coin is issued under value—that is to say, it is coined at 66d. per oz. standard, whereas the proportion of $15\frac{1}{2}$ to 1 of gold, gives $60\frac{7}{8}$ pence, so that there would be a heavy loss on export. Hence our silver coinage is *token money*, and at the present price of silver of $53\frac{1}{2}$ pence, a shilling of the nominal value of 12d. is worth about $9\frac{3}{4}$ pence in metal.

It is most essential that this characteristic of the gold valuation should be borne in mind. Most people, seeing that we use both gold and silver coin, as is done elsewhere, imagine that the conditions of their use and value are alike, and derived from the natural laws of value implied. But, as here shown, our silver coin not only *lacks the element* of legal tender beyond payments of £2—, but *must* of necessity become undervalued, and what is more important still, its use is limited to a per-centage of but 10 per cent. in the total circulation. At the first glance this result, viz., the proportion of 10 per cent. to which silver *can* come into use in the gold valuation, appears to be a natural settlement, by way of the ordinary laws of supply and demand. But this easy view requires a modification, for it will be seen that the laws of supply and demand, as they are gene-

rally understood to be free of shackles, are here hampered by an actual law in the *legislative* sense, which forcibly *restricts* the use or demand, and deliberately *deteriorates the quality*, of the supply of silver coin.

Our English metallic system therefore consists of—

Gold Valuation.

Gold coin of *full value* and *legal tender.*

Silver coin of *debased value* and *restricted tender*, besides the *Copper token coinage*, of which we need not take note, as it forms only about 1½ per cent. of the amount of the total circulation.

The characteristics of the *Gold and Silver valuation*, as exemplified by France, are that both gold and silver coins (excepting the smaller divisionary silver coins) are legal tender. Payments to any amount may be made either in gold coin or in five-franc silver pieces. The great stock of legal tender money, therefore, consists of gold *and* silver, the silver pieces below 5 francs only holding the position of subsidiary and debased coinage, limited in tender. A 5-franc silver piece, at the rate of 15½ to 1 in weight of gold, is worth fully 5 francs.

The French metallic system, therefore, consists of—

Gold and Silver Valuation.

Gold coin of *full value* and *legal tender.*

Silver coin *full value* and *legal tender.*

Silver coin of *debased value* and *restricted tender;* and the lower subsidiary *Copper coinage.*

The characteristics of the *Silver valuation* as until lately represented by Germany and still by India, are that gold coin, although used to a certain extent, is not

legal tender, but that full valued silver coins occupy the same place and position which gold coin occupies in England, and that only the smaller silver pieces are under value, as token coins and under limited tender. Thus, in all countries where the silver valuation prevails, the bulk of the current money is in full valued silver pieces, thalers, florins, silver dollars, roubles, rupees, &c., and only their subdivisionary pieces are what we should call change.

The metallic system of Germany consisted (1870) of—

Silver Valuation.

Silver coin of *full value* and *legal tender.*
Gold coin of *full value* but *not legal tender.*
Silver coin of *debased value* and *restricted tender,* and a *Copper coinage* as everywhere else.

Representing the cases by per-centages (without absolute accuracy, and including the bank note issues of wealthy States as good money), the positions may be indicated as follows:—

Under the **Gold valuation** there are in a country—

88 per cent. of **gold coin, legal tender.**
10 per cent. of silver coin } token coin.
2 „ of copper coin }

Under the **Gold and Silver valuation** there are—

60 per cent. of **gold coin** } **legal tender.**
28 per cent. of **silver coin** }
10 per cent. of silver coin } token coin.
2 „ of copper coin }

Under the **Silver valuation** there are—

75 per cent. of **silver coin, legal tender.**
13 per cent. of **gold coin** current, but not tender.
10 per cent. of silver coin } token coin.
2 „ of copper coin }

The **Total amount** of **metallic money** in **1870** (since which about £50 millions of gold have been added) may be stated at

Gold Coin and Bullion **£700** millions.
Silver Coin and Bullion **£650** millions.

1870, **Total £1350** millions.

and its distribution at that time, stated (without absolute accuracy) as follows :—

	Gold. *Coin & bullion. Full value.*	**Silver.** *Coin & bullion. Full value.*	*Subsidiary coinage. Debased value.*
England	£130 millions.	£ — millions.	£15 millions.
France	260 „	70 „	14 „
Germany	30 „	60 „	16 „
Belgium, Holland, Portugal, Denmark, Sweden and Switzerland	40 „	45 „	10 „
The rest of Europe & indebted States	60 „	30 „	25 „
Total in Europe	£520 millions.	£205 millions.	£80 millions.
United States	30 „	— „	5 „

Other States in America, the Colonies, and generally distributed	140 millions.	50 millions.	10 millions.
India, China, and the East	10 „	250 „	40 „
Accession since 1871	50 „	—?	—?
	£750 millions.	£505 millions.	£145 millions.

On the whole,* the form in which the matter is

* These estimates may not quite correspond with recent publications, especially those emanating from Germany, and based principally on the coinages made. It must be remembered that a good deal of both gold and silver coin is held (and hoarded perhaps) even in the internationally poor states. (Russia for instance holds between £20 and £30 millions of gold at present). The late German returns, in order to make out all they can in favour of the policy of the Government, allege that there are now but £22 millions of Silver to spare in Germany, leading to the supposition that there were less than £60 millions before 1870. But it must be stated that, firstly, the Prussian bank, Hamburg, and other banks very wisely made timely sale of their silver bullion; secondly, that among the silver current before in Germany there were many millions of five-franc pieces, Dutch and Austrian florins, and other foreign coins, since then driven out by law; and thirdly, that under the enforcement of the law of tender, Germany may find that it has yet £30 millions or more of silver to sell. It must also be mentioned that the estimates of subsidiary coinage given in the table do not correspond with what is usually returned by the coinages classed as such. For in different countries, the level at which debased coins of that kind commences, varies; England, for instance, commencing with the 5-shilling piece, France with the 2-fr. piece, and elsewhere (Germany) the pieces as low as 6d. were formerly full valued. I have therefore discriminated, and under the column of subsidiary silver coinage stated the maximum amounts which might be considered as required to act in that character. I mention this in order to guard against certain differences of opinion which prevail on the quantities generally. The fanatics in favour of the gold valuation have recently adopted the policy of under-estimating the quantity of silver present and produced at this time, and the most contradictory statements may be brought forward. But I am prepared to prove that my statement is correct, and can err only on account of its moderation.

shown in the table illustrates the position sufficiently for the purposes of this inquiry. What is of interest here concerns the £505 millions of full valued silver coin, and the prospect of their continuance, or the modifications they must undergo in view of the demonetization of silver now commencing, the fall in its price, and the inevitable further decline in value.

So far as can be inferred from the statement, the general value of silver had been maintained, because although the nations were divided into the three metallic groups, these *three groups between them* nevertheless *upheld the employment or demand for gold and silver fairly alike.* But now Germany has overturned the balance, and instead of an absorber of silver it has become a seller. What is the effect of this on the three groups?

To us in England (if we leave India out of the question for the moment) it would appear at first of no consequence, for Germany cannot sell silver for circulation here, and must pay us for gold in another acceptable equivalent. Therefore, on the mere question of exchange, we suffer nothing (whatever we may afterwards undergo in reference to prices generally is another matter). And on the whole the fact that Germany and other nations adopt our own system of *Gold valuation* seems rather flattering to us.

But with the nations of the *Gold and Silver valuation* the case is different. Certain economists, and the new German professors of monetary economy, assumed that even if Germany did adopt gold valuation, other nations might still retain their systems. Others (among them myself some seven years ago) pointed out that this could not be. For it is obvious that if France, for instance, continued to value both gold and silver, the Germans and others would pour their silver bullion into the country

and take away the gold. In order to avoid this game of "beggar my neighbour," France, together with Belgium, Switzerland, and Italy (the monetary union of joint valuation) has already been compelled to limit the coinage of five-franc pieces to a degree which is practically tantamount to a speedy cessation of the use of silver. But this is not the only consequence, for France must also endeavour, later on, to dispose of its silver to somebody else; for in the face of the rapidly falling price it cannot maintain its present stock as legal money, and cannot convert it into "change; for it already has a sufficient supply of subsidiary coin.

The *Silver-valuing States* of Europe are even in worse plight. They have no gold, or very little, and their silver coinage would not only be excluded from the rest of the world, but threatens to become altogether unavailable for the acquisition of gold. They cannot make use of their legal tender silver coinage for the purposes of change, for it is far too large, even if such subsidiary coinage did not already exist, as it does in abundance. And I refer to this question of the subsidiary silver coinage again, because many of our own people are apt to suggest, "Why don't they use silver coin as change like ourselves?" ignorant of the primary law of the gold valuation, that under it, a silver coinage becomes a depreciated token, and *cannot* circulate but within narrow limits. Thus Holland, one of the silver valuing States, has recently been compelled, upon the threatening change in Germany, suddenly to stop the coinage of silver, and the Dutch exchange is now quoted in gold, though very little gold has yet been coined. Holland indeed, stands on the brink of a precipice in this matter, together with other silver-valuing States. For the question generally is as yet on the balance, Germany has promulgated the gold valuation on the 1st January, 1876, but proceeds but slowly with exchanging gold

for silver, and does not press its sales of silver at present; its financial *savants* imagining that they can for some time longer foist the silver currency, depreciated by their own act, upon the people, whereas this will only have the effect of driving gold away as soon as it enters circulation; and the withholding of the stock of silver at a loss of interest cannot avoid or even modify the inevitable result, that Europe must demonetize £200 millions of silver.

What then is to be done with the £200 millions of surplus silver in Europe? The suggestion may be made, "Let plate, utensils, knives and forks, be made of it." If people have any desire to use more silver for these purposes, they can do so now to any extent, by paying the present price; and only in the event of a very great fall in the price, say by 50 per cent., would any more extended use be made of it, but far below so large a quantity as represented by £200 millions.

It might then be said, "Oh, let the internationally poor nations take it, to use it as specie!" Independently of the fact that they can give no gold in return, none of the internationally indebted states can take either silver or gold, as shown in Part I. of this treatise, until the balance of trade turns in their favour. They cannot take silver even by way of further loan. Prussia, two years ago, endeavoured to contract with the Austrian Government for a loan at a certain rate in silver. All was arranged, when suddenly the Austrians found out that if they took the silver at *any* price they would almost immediately be compelled to export it at a *still lower one*, and so they declined the transaction. And it will be obvious to you that when an indebted state recovers its balance of trade, it will have the right to ask for gold, for if it took silver at a comparatively cheaper rate, it could not possibly maintain a coinage based upon the old value.

It might then be suggested, "Let India and China take this silver, they can absorb any quantity!" People will make such assertions about "any quantity," because they have no idea of the figures involved. Independently again of the question that India cannot return gold for silver, it will be evident that India's capacity for taking more metal depends on the balance of trade, and however low the price of silver may be in Europe, India cannot take £1 more unless the balance of trade allows it. Now it is true that India has absorbed a great deal of silver, and although during this century the current of trade has been once or twice in favour of Europe, yet a definite quantity has been absorbed. The yearly exports of silver to India reached their highest points between 1850 to 1866, when at one time, as much as £15 millions per annum were sent, the average of the period being £7 millions. But this very period was a most exceptional one. It was contemporary with the accession of gold in Europe, and an enlivening of commerce generally, in which the East took its share in silver. During the time also the Mutiny occurred, our Government sent out large sums of money for railways and other enterprises, and the American cotton famine benefitted India. Since then, the export of silver to the East has much decreased. Naturally, the investments made by England begin to return an annual interest now.

It may not be generally known that some time ago the German Government, after its failure to contract for a silver loan with Austria, endeavoured to induce our India office to take a large amount of silver (£15 millions) at a fixed price. The negotiations became serious, but our Government found out in time that under the then existing balance of trade with India it could do better in another way, so avoided a transaction at which everybody would have laughed.

And it will be readily conceived, that the balance of trade cannot permanently be in favour of one country, without causing an augmentation of currency which must inflate prices, stop export, and encourage import. For this reason also it is impossible, again, that one part of the world can deal in silver and the other in gold, the exchange could not take place. As regards the passion of the Indian people for "bangles," the same argument applies as that before advanced for "spoons and forks" in Europe; nothing stops the people now from getting as much as they want, the cheaper price for silver would not dispose of any sensible part of the surplus, and notice this particularly—a serious fall in the value of silver would destroy its use as money upon the present basis, and also deteriorate its appreciation for bangles.

But let it be supposed, for argument's sake, although contrary to the nature of trade, that India and the East could absorb, say £6 millions per annum for currency and bangles. The annual production of silver from mines may be stated at a minimum of £16 millions (of of which the United States furnish £8 millions and some authorities place the total annual production as high as £20 millions). Formerly this supply was divided between Europe, America, and the East, but now Europe not only ceases to be a buyer, but is on the point of offering £200 millions, which even if they could be kept without interest during 20 years, which they cannot, would give a total supply of £26 millions per annum, against the supposititious case of the East being able permanently to take £6 millions per annum.

It follows, then, that India and the East cannot absorb but a limited per-centage of the amount at best. If large quantities of silver were sent to India, the value of the rupee would still more sensibly decline than it has

already. But even without such additions the Indian currency must lose its international value. Strong, then, as the prejudice of the natives may be in favour of the material (as it has been in Germany and Holland) they may find out, before we are aware of it, that they must take to gold, and the efforts which our Government makes in bringing gold into recognition, and in issuing bank notes, may suddenly destroy the present valuation. What then is to become of the £250 millions of India silver currency, in addition to the £200 in Europe and the new supplies? *

The supposition, that on a fall of the price of silver, silver mines would lessen their production, applies only to the very poorest ores, but the great bulk of the production is from rich ores, and would pay at any price. At some of the silver mines the production costs only eighteenpence per oz., but, if as must be expected, all prices of commodities fall, the cost of production from the poorest ores will also lessen, and pay again well. But mark the remarkable nature of such a weak argument as to a possible reduction in the production; it is based upon a serious fall in the price of silver, tantamount to its enforced demonetization, and that is the very thing which we must regret and guard against at all hazards.

For—and this carries the case of the decline of silver to a further contingency—if the price of silver falls much

* So desperate a question has lately even led to the suggestion that the United States should rescind their resolution in favour of gold and adopt silver for specie payments, so that they might enter into closer relationship with China and India for the special advantage of American and to the exclusion of European produce. Independently of the fact that, even in that case of union between the extreme East and West, the supply of silver would be extensive, independently of the impossibility of separating the world into two irreconcilable halves of valuation, I must remind you that the United States can do nothing until the balance of trade is in their favour, and so this proposal must at all events be postponed with or without reference to its practicability or absurdity.

lower, it will not only cease as legal tender money, but it will also be *impossible to maintain it as material for the subsidiary token coinage.* If at the English minting rate of 66d. per oz., and the former market value of 61d., there was a margin only of 5d., or say 9 per cent. to the State, no counterfeit coiner would make sufficient profit under the limited tender of £2 per payment, for he could not pay away enough per day to make it worth while to bear the risk of discovery. But the present decline to 53½d. already makes that profit 3s. per £1; and if the price falls lower still, there being no difficulty in imitating the stamps of the Mint (and keeping the dies in the pocket), coins may be made by others than the Mint of precisely the same metal—the test of the metal, the only one available, being thus lost. The penalty would not rest on the use of baser metal, but on an imitation of the Queen's dies only, and this would be difficult to detect. Now if a counterfeit coiner can easily be found out when he uses inferior metal, and punished accordingly, it would at least seem singular that when he uses the same metal, he should be equally liable. True, the offence, as far as the law is concerned, which permits no one but the Crown to coin, and the penalty against counterfeit coiners, might be enforced all the same. But even the criminal law should not, and practically cannot, be made to cover cases, which by another law, as that of the token coinage in this case, holds out a most deliberate temptation. This danger would become imminent, and might ultimately enforce the abandonment of the use of silver altogether for the purposes of change in its present form. But even if the pieces were made heavier (contrary to the objection raised against the general use of it on account of the weight) the decline in the value would remain indefinite.

Having laid the case before you so far, you will probably admit that the fall in silver is inevitable. The losses which the nations who now hold silver must experience may appear very serious to you. But the losses to such other nations are but the smaller portion of the evil. Germany, for instance, has £30 millions yet to dispose of. It has also received during the last five years £250 millions from France in money and valuables. That is sufficient to cover the loss of the £30 millions, even if they were made into spoons and forks for mutual presents, or converted into a column of victory of solid silver 100 feet high and 10 feet in diameter. With other silver-valuing states the case is already more serious, for they have not received £250 millions; but Holland, for instance, is an internationally wealthy country, and if it came to the push could lose £4 or 5 millions in order to obtain gold. India, however, is not an internationally wealthy country, and the question "who will take the £250 millions of silver and furnish the gold for it?" is one that must be based on considerations even far *beyond* the *fiscal* or *national* loss to which India would be exposed.

For serious as all this is, **far greater damage** *would be done to all nations, including of course ourselves,* by the *inevitable* **fall in prices** *all over the will,* enforced **upon ourselves** by the redistribution of gold, of which we must surrender a share, and by the case generally, beyond this necessity.

I have stated before that the internationally indebted nations may require £150 millions by way of the demand for specie payments. Now here it may be mentioned, that when in 1816 *England* resolved to adopt *gold* as a standard, whilst *all other nations* were most

willing to *accept silver*, it took more than three years before a sufficiency of gold was acquired by England. The comparatively smaller amount of gold then in the world is fully balanced by the great increase of population and commerce since. And now there are four large States in the field, and all the nations threaten to repudiate silver; what will be the difficulties now and the degrees of force required to overcome them?

But this is again but part of the question; the effect of the total requirements for gold in substitution for silver and for specie payments on the world at large can be stated as follows:—

There are now in the world in full legal tender money—

In gold coin and bank bullion . .	£750 millions.
In legal tender silver in Europe and elsewhere	255 „
In legal tender silver in the East .	250 „
Present total of legal tender metallic money . .	**£1,255 millions.**
besides in silver tokens . .	145 „

Now if the £505 millions of silver are demonetized there will remain—

Future total of legal tender metallic money	**£750 millions.**
If from this are deducted the required for the recovery of specie payments,	£150 millions.
there remains	£600 „

in the hands of the other nations instead of the previous £1,255 millions.

It might be said that this states the case in an extreme aspect, but in reality it is not yet the most extreme that can be stated, for there are yet the £145 millions of silver change, whose maintenance is in jeopardy by the fall in the value of silver. And if the bank notes, not issued on bullion, of civilized internationally wealthy states (England, France, Germany Holland, Belgium, &c.) be taken at £135 millions, and those of the over-issuing states at £480 millions, the former, on the lesser bullion basis, might decline by say one-third, the latter by one-half.

The full statement might then appear as—

Gold coin legal tender money .	£750 millions.
Silver coin „ „ „ .	505 „
Silver subsidiary coin . .	145 „
Bank notes of wealthy States .	135 „
Ditto of over issuing States	480 „
Total money now in use	**£2,015 millions.**

The future available legal tender money, however, would consist of—

Gold coin legal tender money	£750 millions.
Silver change . . .	—— ? „
Bank notes of wealthy States	90 „
Ditto of indebted „ .	240 „
Total money in future use	**£1,080 millions.**

The matter must be reduced to this point in order to show that it allows plenty of margin for modification.

And so, whether it be deemed that India will not be compelled to give up her silver valuation, that the silver change will not also become impossible to maintain—that more bank notes will be issued—although all these modifications are contrary to the absoluteness of the laws of equilibrium, there remains sufficient negative to raise the question, "**What will be the effect of these reductions in the circulating mediums on prices, on commerce and on civilization?**" And this, as I have said before, is the far graver part of this inquiry; exceeding in gravity the mere fiscal or national loss which the silver-holding nations would experience, if by some stroke all the legal tender silver they now hold were to vanish away bodily.

Some guiding idea for the appreciation of this effect might be formed on the experience made in the other direction, viz., the rise in prices, and extension of commerce from 1848 to 1872. Since 1848, when the total metallic currency of the world consisted of—

Gold coin and bullion . .	£400 millions.
Silver coin and bullion, including subsidiary coinage .	600 „
Total in 1848 . .	**£1,000 „**

the *new supplies* from California and Australia, and in gold converted into money (besides jewellery), amounted to up to 1875 . . £350 millions,

and in silver, about . . 50 „

Total in 1875 . . £1,400 „

an increase of 40 per cent. in 27 years.

During the same period, also, the world's progress and development of commerce have made great strides. Our outward trade has increased from £165 millions in 1848, to £682 millions in 1873, and this more than **fourfold increase** has been participated in by many nations. In all directions, in banking, insurance, manufacturing, and commercial matters, in the comparative well-being of people, the progress of civilization, the increase has been most marked. Now it may be alleged that this general fourfold advance is due to the great development of machinery and inventions, but be it remembered that the chief inventions (such as steam) were known and utilized for many years before. *It was the supply of actual money which gave this extraordinary impulse to the utilization of inventions,* for it furnished the means of stimulating the labour market both for production and consumption. And all the features of the case as depending upon "the number" of pieces of money equitably obtained, in their relation to higher prices, to more production and consumption, are in accord with the truth that the legitimate basis of prices rests on the factor of actual money, or means of contract in the wider and the particular sense. Hence, not only the ordinary industry and intercourse became enlivened, but public works, railways, were stimulated in all directions.

The question here now is :—

"*If an addition of* 40 *per cent. to the existing stock of money, from* 1848 *to* 1875—i. e., *in* 27 *years—has so materially* (fourfold) *advanced progress in commerce,* if *all contracts now rest on the basis of prices thereby established,* what will be the consequences, *if that stock of money becomes reduced in the manner the change in the systems of valuation must bring about?*" If, then, the most extreme estimate made before, of a

reduction from £2,015 millions to £1,080 millions, equal to 100 per cent. upon the remainder, be taken as exaggerated in the proportion of $2\frac{1}{2}$ to 1, it would still yield the full negative to the previous increase. The same would be the case on the mere metallic basis of £1,400 to £750 millions. And, above all, it must be borne in mind, that the increase of 40 per cent. from 1848 to 1875 occurred year by year in a more or less regular ratio during twenty-seven years. This matter of the diminution of silver, when it has once started over the precipice, is a more violent one. The event must come with great rapidity, as the great fall in silver during the last few months foreshadows. For when once the decision for the gold valuation is taken by a state, no transition period can take place without seriously hampering the acquisition or retention of gold. The law of limited tender for silver must come into force at once, and thus throw the masses of legal tender silver out of use immediately.

On whom rests the responsibility of exposing the world to this precarious state and its dire and immeasurable consequences, but on the reckless advocates of the gold valuation?

In submitting these considerations, it is not my object to reopen the discussion on the gold valuation *versus* the gold and silver valuation. That controversy has reached a stage in which the disputants have called each other "fanatics," and our advocates in favour of the gold valuation are rather pleased at seeing that the current in Germany and elsewhere has apparently turned in their favour. But I permit myself here to place one matter before you bearing on this controversy.

The minor objection to silver on account of its greater bulk and weight, of which even Indian officers have

complained when in charge of transports, is now removed by the use of steam and railways, and the coin in the hands of the people is of no greater weight than the silver tokens.

The main argument used in favour of the gold valuation is this :—

"*If a creditor, having stipulated for a fixed payment, may be paid by the debtor in either gold or silver, the latter chooses the material which comes cheapest to him, and the creditor suffers an injustice.*" Without inquiring whether the creditor, on entering upon the contract, also exercises his option in furnishing the debtor with either material, and therefore cannot claim another treatment,—without inquiring whether, as he can also part with the material received on the same terms, and must do so, I can show you that *the dogma itself is one untrue both in practice and in theory.* From the statement on the methods of settlement before submitted of the various strata of intercourse (See Part I. p. 18), you will be confirmed in the view that the large business of exchanging contracts, as well as all such dealings in capital and commodities, in which the "creditor" stands in the position assumed above, is carried on by accounts, cheques, and clearing systems, without the use of any currency; and so the *great* system depends upon the exchange of equivalents of value alone. The currency is required only to be in accord with the strata which cannot be settled by these methods, where pieces of money *must* convey the contract from one to another; and its level is a question of proportions of numbers only, the due proportions forming the basis of prices in accord with the upper strata. It is, as the French so characteristically say, the question of *numeraire.*

And where, as in the case of the gold and silver valuation, both metals have a fixed value of say 1 to

15½, whether the justice of this proportion be founded on first principles of practice, or is confirmed by law, whenever either of the metals appears in the form of coin, there can be no question of any difference or disproportionate "cheapness" between them. The debtor, in order to obtain either gold or silver coin, must render up the same equivalent for either. In reality, actual money does not even affect the settlement of contracts before the courts of law, the settlement is effected by cheques and otherwise. The term "legal tender" arises practically in cases where, in order to prove willingness to settle a dispute, the one party offers, in his open hand, gold coin or Bank of England notes, taken for a moment only from the circulation.

If during the time the contract between creditor and debtor lasts, the State should decree a change in the valuation from gold to silver, or *vice versa*, the debtor would be bound to pay the creditor in the new legal tender. If any creditor, on receiving a payment in cash, either gold or silver, chooses to withhold it from the circulation, he either converts it to some other use, or does a thing which, although he has a perfect right to do it, is not in accord with the rules of commerce. But even in that event, if he chooses to withdraw it, with a view of returning it to the circulation hereafter, he does not *even run the risk* of a change in the valuation decreed by the State during the period he thus chooses to hoard the money, for the State would give timely notice of the change and effect it at its own charge. You may therefore not consent to judge this case by what may be called the foolish humour of a creditor, the great intercourse of the world is not conducted on fancies and remote contingencies which are without the range of reality.

And here a singular characteristic may be pointed

out as regards the action taken by certain statesmen and economists upon this unreal doctrine on which the single valuation chiefly rests. The controversy on the point arose in England during last century, and in 1816 gold was chosen as the valuator, because the practical state of matters then tended to show that gold was likely to become more scarce. If the authorities of that time had known of the prospect of the Californian and Australian gold-fields, would they have chosen gold? The question is thoroughly legitimate, because, when the second phase of the inquiry arose, through Michel Chevalier in 1858, that economist actually recommended the demonetization of gold; and nothing is more significant of the looseness and baselessness of the above-mentioned theory than the fact that this gentleman has since turned his coat in favour of the demonetization of silver.

This looseness or contradiction of purpose is absolute proof of the nonentity of truth in the dogma founded upon the *former* fluctuations between gold and silver. The advocates of the dogma are apt to cite, for instance, the example of the United States, where under the previous valuation the American silver dollar rapidly disappeared. This was owing simply to the fact that America had coined that dollar in the proportions of value of 16 parts silver to 1 gold, whereas elsewhere that proportion was 15½ to 1 or 3 per cent. better. Of course the dollar was exported at this profit and recoined abroad. The example of France is also quoted, which parted rapidly with its silver to India, against gold from England, in payment of English balances of trade to India. Situated between the gold valuation of England and silver valuation of India this was but natural, but France only profited by it, and lost none of its real metallic strength.

If all nations were to agree upon the proportionate value of gold *versus* silver as 1 to $15\frac{1}{2}$, they would certainly be in accord with the average from time immemorial. The occasional unimportant fluctuations were due to want of agreement and insufficient international intercourse of former times. If, upon the plain truth that all substances derive their intrinsic value from their chemical "nobility," and complete fitness for specific purposes, the practice fully confirms these proportions, any supposed influence of force of supply and demand in either direction can well be kept under control by a general understanding based on law. For the main force here operating is always that of demand, the fluctuations in the prices of commodities represent the matter of supply against the *number* of pieces of money. And the denial of this effective and continuous force of demand on the part of the advocates of the gold valuation is a curious feature. As we now see, the very first step towards the demonetization of silver, brings with it a great fall in its value. Is this not evidence, that if such as yet slight cause has so powerful an effect in the one direction, the actual law must on the whole have a force far superior in the other, in the maintenance of the just balance? Yet so infatuated are the gold fanatics, that, after having partially succeeded in turning the law against the demand for silver and debasing its value, they now say: "You see silver falls in price, the demand is lessened, and so we are right in recommending the gold valuation!"

Where are the statesmen who will rescue the world from this fallacy? Now-a-days the international interests are in closer relationship to each other than were formerly the provinces of a single nation, and statesmen and economists begin to see, that however "national" must be their individual tendencies, yet that

this national interest itself is dependent on the cosmopolitan welfare. And here in this question of the valuation stands the dogma founded on the theory of wrong which a creditor is supposed to suffer from the employment of both gold and silver as legal tender money, as that on behalf of which all this "negative," all this destruction is to take place. Is this dogma a true one, founded on real practice and theory? This is the point which statesmen and economists must examine, the general public and phraseologists cannot deal with it, it is a matter where the "*noblesse oblige*" must come to the rescue. Such nobility of intelligence must not only be able to deal in first principles generally, but must consent to look at figures and proportions, as the necessary offshoots of principles, the practical machinery without which first principles cannot be made available. In order to show you what I mean, I may be allowed to mention that a little while ago I had a visit from a statesman (not now in office) who wanted to discuss this subject with me. The gentleman was full of phrases respecting supply and demand, but was unable to deal with other practical matters resting on equally important first principles. I put figures before him, asking him to explain to me, for instance, how India could get rid of £200 millions of silver, and who would furnish the gold? this was "going into details," and finally he exclaimed: "If the silver states and India are forced to sell their silver, they must get something else instead of it, that is all I can say about it!" I agreed with him that that was all *he* could say about it. But you may agree with me; that something more than this style of reasoning is required in this problem, for unless that is speedily done, the consequences of the present conflict will become uncontrollable.

The first effects of the enforced diminution of the number of pieces, through the demonetization of silver, of legal tender money in the world, will be the stoppage of works of public utility in which the combination between capital and labour has done so much during the last 25 years. Simultaneously, the availability and value of labour will decline, and wages as well as production and consumption will become less. Now there are some people who will regard this effect upon labour as a deserved punishment for strikes, and as a check upon the wise or unwise methods in which labour has striven to secure its interest. That view is a blind one, for in this case the wealthy will suffer an equal deduction. The *value of all property, lands, houses,* and *commodities of all kinds, must also decline,* and so the rich will suffer equal loss.

But there is one class of the "wealthy" which, at the first glance, would seem to benefit by the decline in prices; namely, that class which derives an annual fixed income from the fixed investment of capital, or by way of annual stipend or salary. A clear distinction must be drawn between this and the other wealthy classes. The latter, the majority, hold their property free, subject to rise or decline of prices; the other, the minority, have engaged their capital at a fixed return by way of interest, or contracted for their years of life by way of fixed salary. It may perhaps be remembered that when the Chevalier controversy on the supply of gold arose this very subject came to the foreground. It was then said that, because the prices of goods had risen, the value of money had declined—that the fixed income had lost part of its purchasing power. This is in accord with the whole theory that prices rise through the acquisition of more actual money; and so, through the contemplated reduction in actual money, the fixed

income must derive great advantages *at first*. But the advantage does not stop there. For what may here be overlooked, is that by the same theory the advance in prices enhanced production in a much greater degree, and so has brought prices down to their previous level. Proof positive of this rule is furnished by the fact that with the exception of a few commodities, and for exceptional reasons, the majority of all productions, especially the staple goods, have regained the basis before 1848, and many are even lower in price.

In the case of salaries it is an undisputed fact that on the pleas advanced of higher prices, they have been materially increased. Unfortunately, the problem here in hand is one much under the control of Government officials, who, without wishing to do wrong, see matters in their own light. But if they, at the expense of the great commonwealth, the people, the industrial, and commercial, and the owners of saleable and valuable property, on whose well-being and tax-bearing capacity their incomes are after all dependent derive such advantages, the case looks very much like starving the goose which lays the golden eggs.

The cases of fixed interest derived from capital offers still greater anomalies. The whole of the investments in State and other obligations, in mortgages and advances on property, during the last 25 years, have been increased and enlarged upon the basis of prices established on the £1,400 millions of currency (leaving out of the question the inflations by paper currency previously spoken of.) If then upon so enormous a reduction in current money as the demonetization of silver will bring about, all prices must fall to a considerable extent, it is obvious that the advances made upon property cannot be liquidated, and that capital itself must suffer heavy losses. State debts will weigh much

heavier on the people, and at the same time it will be impossible to levy the same amount of taxes on the diminished value of property and labour. The fearful confusion to which this will lead, its influence on political and social life, is beyond the range of an estimate now, it can be likened only to an indistinct future, in which we know that the direst mischief is awaiting us. If it be alleged that the fixed income from capital will at first, like the salaries, derive advantages from lower prices, it is still more evident, that besides the ruin of the debtors, capital itself must suffer enormous losses.

There are some people who on this occasion will say, "Oh, that will correct itself, capital will become dearer at first, and then all will come to a level again." But this level can only be regained upon the distinct levelling down of industry and commerce. Interest on capital represents but the share of profit which commerce and industry can afford to surrender, therefore capital cannot exceed the usual rate of interest without destroying industry and commerce; and so in the "minus" which appears on all sides of this matter, capital itself must lessen.

The writer is aware now that the representations which he has made here, especially to those who have as yet paid little attention to the gravity of the case, expose him to the imputation that he sees matters in a dark light. But whilst he admits that it is not a difficult task to cry "wolf," he must here at once state, that no mere reiteration of dogmas on the point, combined with the twang of a joke, as is so often done in economical discussions of this kind, should be allowed to turn your attention from the figures and the general principles laid before you. Unless "equivalents" can be produced, clearly defined in extent and correct

principle, completely filling the gaps, the validity of these views cannot be disputed by mere phraseology.

And this is important for an essential reason. In matters of this kind, the great mass of the people are, so to speak, under the sway of a fate, and even among the educated—among those who write on finance—there are not many whose foresight goes beyond mere symptoms. Accordingly, when such evils as are here predicted begin to set in, the writers on finance, instead of recognising the true cause, will quarrel with such symptoms. There will be appeals to supply and demand, the decline of prices and bad trade will be ascribed to "things having been overdone," the good British and other publics will be soundly rated, and the preachers on financial morality will revel in a paradise full of material. Anything but the real cause of these indications will be commented on.

Yet this cause is a matter in which human intelligence plays the principal part. We here in England, for instance, agree that if the Americans had decided in favour of more paper issue, they would have ruined the country, as other countries have been ruined. Now whether the decision in such cases is gained by way of popular vote, or by parliament, or a concentrated governing power, it is all a question of human intelligent decision for good or evil, and this problem falls under this head with far greater weight than any problem that has ever occurred in the history of commerce and civilization.

And the shadow of the coming evil is now upon us. So far the shadow only, for, as has been stated before, Germany alone has overthrown the international balance, has promulgated the gold valuation only two months ago, and does not hurry the exchange. Other

States hold the matter in abeyance, standing, so to speak, at the brink of the abyss. But even since 1872 there has already been an almost sudden cessation of works of public utility, railways and other undertakings. It will be said of course, "Oh, it was overdone;" but others think that the withdrawal of gold by Germany is the cause of lessening the means which capital requires for the enlivenment of the labour market.

Our own international commerce shows signs of a serious decline, as the following statistics show:—

	Imports. (*all*)	Exports.		Total Imports and Exports.
		British Produce.	*Foreign and Colonial.*	
1854	£152 millions.	£97 millions.	£18 millions.	£268 millions.
1855	143 „	96 „	21 „	260 „
1856	172 „	115 „	23 „	311 „
1857	187 „	122 „	24 „	334 „
1858	164 „	116 „	23 „	304 „
1859	179 „	130 „	25 „	334 „
1860	210 „	135 „	28 „	373 „
1861	217 „	125 „	34 „	377 „
1862	225 „	123 „	42 „	391 „
1863	248 „	146 „	50 „	415 „
1864	274 „	160 „	52 „	487 „
1865	271 „	165 „	53 „	489 „
1866	295 „	188 „	50 „	534 „
1867	275 „	180 „	44 „	500 „
1868	294 „	179 „	48 „	522 „
1869	295 „	189 „	47 „	532 „
1870	303 „	199 „	44 „	547 „
1871	331 „	223 „	60 „	614 „
1872	354 „	256 „	58 „	669 „
1873	371 „	255 „	55 „	682 „
1874	370 „	239 „	58 „	667 „
1875	373 „	223 „	52 „	648 „

That our imports have not fallen off is nothing to the point, our accrued international wealth fully enables us to consume even more. *But the decline of our exports*

in British produce is most marked, as either in quality or value, or both combined. The argument again, "things have been overdone," does not suffice, for during the last thirty years we have had three severe crises, when the same saying prevailed, and yet twelve months after every crisis the steady increase was there again. But now *three years of positive decrease have set in.* simultaneous with the mere commencement of the demonetization of silver in Germany, and the indications of the present year, according to what appears on all sides, are even more unfavourable.

In Germany itself, although it conquered £250 millions sterling, commerce and industry suffer from an unheard-of depression. What will it be in other countries if the cause is not arrested by timely action? Permit me again here to ask you not to be satisfied with any phrases which scepticism as to the weight of this matter may utter. Unless such phrases are accompanied by figures, then "this will not be so." is of no value as compared to what I say "this will be so" upon the figures shown. The common economical sense of this country keeps too watchful and jealous an eye upon practical results to allow itself to be hoodwinked by mere words.

But that which goes nearest to our interests at the present moment is India. The ordinary Englishman does not know of it, and may not care, but the retired officers, the numerous families depending upon a fixed income from India in rupees, know that whereas when formerly 1,000 rupees in India at the exchange of 2s. per rupee gave them £100 here, the present slight exchange of 1s. 8d. from thence only gives £83 6s. 8d., or less by 18 per cent. in sterling. The Indian banker, with millions of money invested in India, finds that

they are worth less now by 15 to 20 per cent., and the prudent Manchester merchant, who has contracted to furnish goods, taking the current present rate as 1s. 10½d. per rupee, gets remittances in return at but 1s. 8½d. and 1s. 8d. in short bills, and loses 10 per cent. in spite of his caution. The bullion broker knows that this low exchange is caused by the fall in the price of silver in Europe, and he does not know what there is to stop a further greater fall, nor when that fall will end in a definite figure. Grievous as is the case, as far as fixed incomes from India is concerned, that of its active commerce is still more precarious. It may be said, "Oh, the East Indians must pay more rupees for English goods, so that the English manufacturer is compensated in the exchange!" Just so, and that means the inflation of prices in India, the depreciation of their currency for both imports and exports, without any fault of the Indian people, and under the "bottomless" aspect of the matter, it is impossible to predict to what extent this depreciation will ultimately go. The "light-hearted" embryo economist may here say, "Oh, when silver becomes cheaper, India will obtain all the more of it." Silver will be cheaper, but India cannot take an ounce more than its balance of trade warrants, and the depreciation of its currency will lessen its power to maintain that balance. "Well," another will say, "then let them make the rupee larger—put more silver into it." That means that an East Indian must bring to the Mints there, say 100 rupees to be recoined, say into 80, and that he will be told then eighty heavier rupees are only worth eighty of the former. It may subsequently be necessary to coin the eighty heavy new rupees into fifty still more heavy, and even that may be wrong ultimately. All these suggestions are thoughtless and valueless; the fact that the Indian

currency is in the greatest jeopardy to become immeasurably depreciated through its loss of international value, wantonly brought about, remains undoubted. And it must not be supposed, because the appreciation in which India holds silver now, is a mere local fancy or mistake, or that because they "take" the coin now, there is any surety of the stability of this fancy—that therefore the silver can remain "in use" there; all such words as "take" or "in use" are parts only of mere phrases. The value of silver in India depends upon the local appreciation as well as its international value. Withdraw the latter, and it must at once collapse by one-half, and, as has been shown before, the strongest balance of trade in India or desire for bangles could only absorb a small part of the supply.

There are some people who affect to believe that the present rapid decline of silver is but a temporary matter, due to the dulness of trade, and that the exchange will recover. It may be pointed out here, that never in the history of the world has silver been so low. As before stated, the variations have not departed much from the proportions of 1 of gold to 15½ of silver, but in the Middle Ages gold rose in certain states to the proportion of 1 to 16¼. This lasted but a short time, and was due chiefly to the absence of an international understanding; and during last century the definite proportion of 1 to 15½ was adopted by France, and followed elsewhere as a foundation. The present price of silver of 53½ pence, makes the proportion 1 to 17¾! You will admit that this cannot be a mere temporary thing, and the reasons given will be sufficient to show you its real cause. If Europe had no silver to spare, if the lately enlarged fresh supply of silver were but one-half of what it is, silver in India would have to decline, simply because the *legislative* law elsewhere repudiates

it, and for no other reason. Some people recommend that a fresh loan should be raised for India at this moment. It is true that would for a time stop the drawing of Government bills on India, and the price of silver might rise again above 53 pence against the temporary supply of silver in London. But such loan would only add to the Indian indebtedness, increase the drawings, without stopping or affording any indication as to the ultimate extent of the mischief.

The effect of this mischief on the political and social life and loyalty of India involves a fearful prospect, which India does not deserve. To us in England, India and her 200 millions of people are a great trust. Compare India with the United States. The latter country struggles with heavy international indebtedness and a wretched paper currency. India, from whom during the last century we have drawn millions upon millions of money, unfairly or fairly, has always kept its head above water, in spite of the bleeding. At the present time it pays to England £15 millions per annum for the privilege of being governed by us; and although part of this is income on railways and public works, yet there are thousands in this country who derive an income from thence, so that, with banking and other profits, the balance of trade in favour of the country is reduced by say £20 millions per annum. Yet India has enough to spare to be still an importer of silver bullion to a moderate extent. All the twaddle about difference in civilization between America and India cannot deny India's superiority in this respect, and we should most carefully guard this position, do nothing which can endanger it, and we should even be willing to make a sacrifice of certain of our prejudices in our monetary system for the sake of this great trust.

PART III.

Suggestions for restoring the equilibrium in the valuation.

WHAT is to be done by England to rescue India and other countries from these dangers? The question states the case correctly, for India and England are naturally the two countries between whom this matter must be decided for the rest of the world, India taking the lead in silver, England in gold.

In venturing upon the proposal now following, permit me to call your attention to the method in which an inquiry into such proposals should be conducted.

There are *firstly* certain leading general principles and *large facts*, some of which I have endeavoured to lay before you, upon which we must be agreed, and which brook no modification. If we become agreed upon these, we must be able to come quickly to certain conclusions, and use these as landmarks, whose boundaries, for the sake of order, we must not again exceed.

Secondly, we must avoid the tendency of passing lightly over certain matters of account in coinage which appear as small differences. Thus many people say, "Oh, the £1 is 25 francs; why not use it as such? the difference is not much! The difference is but 22 centimes, or about 2d.!" This is just the trouble. If the sovereign were worth 24 or 26 francs exactly, there would at once be some basis of round agreement, but these angry little differences are all the difficulty, and have hitherto rendered a universal system impossible. The question is not one for a few pieces in the pocket, but one for the vast sums of international and local accounts, in which the "about" 2d. per piece makes hundreds and

thousands of difference. And so it is as regards the Indian rupee. Many people say, "It is 'about' two shillings, why not proclaim it as worth that?" The case of the rupee is even more complicated, because it contains 165 grains of fine silver, and our florin 161·44 grains; and this seems in favour of the suggestion. But the rupee is a full legal tender coin, the English florin but a token, and the two foundations are irreconcilable. And all proposals based upon "seignorage" for equalising these differences, must be repudiated, so long indeed as the world believes that 100 *minus* 2 makes 98, and not 100, as the "hocus-pocus" of seignorage asserts.

Suggestions of this kind are most troublesome in an inquiry like this, and a lecturer cannot undertake to teach these elements of the matter. Further, when changes in monetary systems are spoken of, people are apt to dictate to others. Thus, while we in England hesitate to change our system, even to a decimal division, we scruple not peremptorily to ask other nations to do so, and to throw aside old habits. And this wholesale style of asking others to do this has often been displayed as regards India. Changes in the arithmetical reform of a coinage system can never succeed if they are radical both as regards the standard pieces *and* the subdivision, either the one or the other must be maintained as the connecting link; and I shall show you shortly how important this is as regards India.

Now to the *first* category, that of the principles and *large facts*, belongs the question: *shall India at once go over to the gold valuation?* I have been asked to show the way to do this, without that India should undergo what is called "the inconvenience of an intermediate double valuation." Of the general principles involved in the question I have said enough, but here is

the large fact, "*Who will take* £100 *or* £150 *or* £200 *millions of the silver of India, and who will surrender the corresponding amount in gold, either at once or in course of time?*" As this is a question which our common sense can answer, or rather not answer, you will not accuse me of dogmatic tendencies when I say that we must, for the present at least, discharge even the consideration of the possibility of introducing the full gold valuation into India now; that this conclusion must be one of our landmarks, and that all suggestions referring to it are out of court. Unless that is done the discussion becomes endless and useless.

If that question becomes settled so far, it follows that we must respect the silver valuation in India, and try to introduce gold by means of giving to both metals legal tender. You are aware, no doubt, that we introduced the gold mohur of 180 grains, 22 carats fine, but that it has not succeeded. One reason is obviously this,—the mohur did not correspond in any rounded manner with the rupee. Coined of the same weight and fineness in gold, as the rupee in silver, the numerical valuation made the relative value 15½ rupees. That is inconvenient, and the endeavour to pass it at 16 rupees failed as a matter of course, whilst at 15 rupees it went at once into the melting-pot. It might now be suggested that India should coin a gold piece of, say, 20 rupees. That would raise the question of what shall be the proportion between gold and silver? If we again adopted 1 to 16, or worse, 1 to 17, we should not only uselessly lower silver, and bring it into conflict with the system of valuation in other countries, to their mutual disorganization, but, as before said, we have tried this with the mohur and failed, and should fail again as certainly. And the adoption of a lower figure than 1 to 15½, say 1 to 15 or 1 to 14½, or making silver dearer,

would be a positive contradiction of purpose, and be absolutely impossible. Besides this, any form of new gold coin in India, considering the tenacity of India as to silver, would still be uncertain of reception, unless *something more were* used to *strengthen its hold upon* the people, both natives and Europeans.

This something may be found in the *adoption of the English sovereign*, and I need not enlarge upon the fact that our own wish to see this coin become active in India is not one of natural sympathy with the living sovereign and the golden ones, but one founded on sound commercial, social, and political instinct.

If, then, it should appear to you that we had better come to this next conclusion and make its carrying out our aim, the question arises again, why has this not succeeded before? As previously stated, there are many people who cannot understand why, as the rupee is "about" two shillings, the mere law or dictum cannot do this. The truth is, the rupee is not two shillings. At its fine silver contents of 165 grains, in the proportion of $15\frac{1}{2}$ to 1 of gold, the rupee is worth but 1s. $10\frac{5}{8}$d., making the £1 equal to $10\frac{5}{8}$ rupees. This cannot be made to agree. Now if by proclamation or law the thing were rounded, by declaring that the sovereign should be 10 rupees, European merchants and bankers would rather keep the gold at home, or if any sovereigns were brought to or coined in India, and put into circulation, the bazaar people would chuckle and take them readily, for the immediate melting down and the sale of the bars back to Europe or elsewhere. It might then be said, let us raise the sovereign to 11 or 12 rupees. This suggestion seems a feasible one because the price of silver has now fallen. But that would not only be the enforced depreciation of the

rupee, and injure Anglo-Indian incomes, but the Indian people themselves would naturally refuse to take the sovereign at this higher value.

It is necessary, therefore, that a change should be introduced in the coinage of the rupee itself, say by *new silver pieces,* which will round off these differences, and become at the same time a subdivision of the £1. Such a new coin must also remain on the proportionate basis of 1 to $15\frac{1}{2}$, for if it were made dearer than the present fine grain contents of the rupee, it would be refused; if it were made cheaper, it would at once be melted down for bullion. And such new coin must, as far as possible, agree without fractions, but in units, with the now existing subdivision of the rupee, as the connecting link. When the connection is established, the reform of the sub-division afterwards is easy.

Here, now, I venture to make a proposal to you, which requires a little technical consideration.

The rupee of 165 grains fine silver is divided into 16 annas of 12 pice each, or 192 pice, equal to 10·3125 grains of silver per anna. Now if one more anna, or 10·3125 grains, were added for a new coin, that piece would weigh 175·3125 grains, and at exactly two shillings would give a proportion of 1 gold to 15·515 of silver, and be worth exactly 17 annas or 204 pice.

Two considerations now arise: 1stly, how shall this change in the coinage be brought about? 2ndly, how shall the conversion of accounts be conducted?

In answer to the first question, postponing for the moment the "work" thrown thereby on the mints, it must be said that the coinage of such a piece of 17 annas, and its circulation alongside of the present piece of 16 annas, is not expedient, although there would be no practical difficulty whatever about it, the

people would soon learn to deal with the fact that the new piece is worth 1 anna more than the old one. It is better, therefore, that this **new coin** should be a heavier one, **say of 350·625 grains, fine** equal to **four** full-valued **shillings sterling.** Such a piece might be called the new double rupee, or **Indian dollar,** or the "**Albert.**" The suggestion as to the name of this piece is not made in order to bring about some hocus-pocus connection with the dollar coinage, or the five-franc silver piece, as is so often uselessly proposed, nor must the attempt be made to make India the stepping-stone for some kind of international scheme,—the difficulties are serious enough without this; the suggestion as to this four-shilling piece is entirely one of convenience between the sterling and rupee system.

The Indian mints should cease to coin the present rupee, and make, for the present, the new piece only, on the legal tender basis of 2 rupees 2 annas, or 34 annas, per "Albert." The first important point would then be this: How would the bazaar bullion dealers receive this piece? Few people, excepting perhaps the mint masters and European bullion importers in India, are aware that the native bazaars are the guardians of the people of India in regard to coinage, and that they control and direct the matter on plain principles of both native and European mathematical truth. If they found that this new piece were in accord with the present rupee, viz., worth exactly 34 annas in silver, and legal tender, they would unquestionably accept and favour the coin. It might even here be suggested, by way of objection, that they would melt the new pieces to some extent. But that is now also done with the fresh rupees, and if the mints ceased to coin the latter, the new piece would of necessity be spared, when the circulation requires it.

It might be alleged that, as far as the people of India are concerned, the size of the rupee is a better customary standard for prices. That was the case centuries ago, when prices were but one-fourth or one-half of what they are now; the fact that prices have risen since renders this new piece more appropriate. The coins of the dollar size have always been in favour with the Eastern nations. The people of India would soon learn that the new piece was worth exactly 2 rupees 2 annas, that 8 of them were 17 rupees, and no difficulty whatever would be experienced in the handling of the coins themselves upon this basis, alongside of the present system, for the time being.

And when a fair supply of these pieces has been distributed throughout India, it can be made the stepping-stone for a comparatively easy reform of the subsidiary division of the coinage. An objection may be made to the new coin starting with a division of the inconvenient number of 17 or 34 of the present annas. True, if a more even number of annas could be chosen, it would be better still; but upon close investigation it will be found, that no combination of that kind is possible without utterly disturbing the other absolutely necessary factors of the problem; and after all, the additions of 1 or 2—to 16 and 32, are simple in their nature. In any case, both for accounts and practical coinage, the present division of the rupee into 16 annas, and 12 pice per anna—or 192 pice per rupee, is one that requires reform.

The new piece would have 34 annas, or 408 pice. When it has gained a footing, there will be no difficulty in commencing this reform by reducing the 408 pice to 400. This would cause no inconvenience to prices or the subsidiary coinage. (The German Government has maintained the groschen or one-tenth mark of

12 pfennige, and now divides it into 10 pfennige without a murmur being heard.) And as the subsidiary coinage is not large in actual gross sum, the poorer classes, as holders of the pieces, would be rather pleased to find that their value was raised by 2 per cent., and the lower subsidiary coinage in copper need not be changed at all. But this is now of great importance in the way of reform; *the new silver piece of* $350\frac{5}{8}$ *fine grains would be worth one-fifth of a pound, and the* £1 *in silver* = 2,000 *pice*—(or if 2-pice pieces were made, exactly 1,000 of them)—in easy decimal division.

The divisor of 17, though practicable at least, would then, on account of its slight inconvenience, give the legitimate impulse for the change in the anna system. The new coin could be divided into 20 subdivisions, each of 10 pieces of the value of 2 pice; the system becoming—

	£1 =	5 alberts (of 4 shillings each.)
	1 =	10 half-alberts.
half-albert	1 =	10 subdivisions.
subdivision	1 =	10 copper pieces of the value of 2 pice.

The £1 would be 1,000 of such pieces, of which halves or quarters, as the present 1 or $\frac{1}{2}$ pice, would still be maintained.

I have said before that it would not be expedient to issue the two-shilling piece or half of the new heavier coin at once (although it is quite practicable). But when there are a sufficient number of the four-shilling pieces in circulation, the conversion of the present rupee into this half-piece might begin. Simultaneously with the change from 408 pice to the 400 basis, when the present rupee, now worth 192 pice, would be worth an equivalent of $188\frac{1}{4}$ of the new division, the current

rupee pieces might be called in by proclamation, and exchanged at the rate of 17 for 8 of the new coins. After a time, the proclamation might fix the legal tender of the rupee at 188 new divisions;—this would expedite the process of exchange, when the one-half and quarter rupees may also be withdrawn. The point would then arise; *shall we, in lieu of the old full-valued rupee, re-issue the two-shilling piece also as full valued, or as token, under limited tender as in England?* Presuming that the distinction between full-valued silver and token silver coins is now fully understood, I am inclined to think that the new half-piece or "rupee" should be issued *as a token only*, and placed under the limit of £2 per payment, as the two-shilling piece is in England. The bazaar people, having the whole full-valued four-shilling piece to fall back upon, would easily understand and favour this proposal, and its advantages are obvious. For not only would a comparatively more limited recoinage of this token and its subdivisions in silver be required, but the melting down of lower pieces would cease, and entail less work on the mints. Above all, the profit to be made by the mint thereby would probably be in excess of the whole cost of conversion of the old coin. The new half-Albert piece might contain, like our own florin, 161·44 grains fine silver, thus leaving a profit of 8 per cent. on the whole subsidiary silver coinage; and if it was made at 900 fine it would yet be "apart" from our own British tokens. The lower silver coinage would thus be on the same footing of tender as ours and that of France.

The coinage of the one-thousandth part of the £1 in copper, equal to a 2-pice piece (not coined hitherto), would greatly facilitate the reform in the lowest divisions.

The introduction of this new piece of four shillings of the dollar type would meet with a special advantage. Those acquainted with the history of the Spanish, Carolus and Mexican dollars know that their acceptance, even above value, was due not only to the authority, but to the quantity available; and just because these elements were absent in the late Hong-Kong dollar, the mint there did not succeed. It may be said that the Mexican mints now coin almost expressly for the far East, but if this new piece, recognised by the Indian bazaars, backed by Indian legal tender, became soon to be present in quantity, it would no doubt become the favourite in all countries near India, including China. And as in Western China small bars of gold are much used, there is every probability that they may be exchanged for these dollars, and thus give the Indian bazaar people even more desire to see gold recognised in India. The British sovereign, introduced as legal tender, could then be defended on the ground of its exact and manageable division in silver, and as the proportion between gold and silver would be upheld on the same basis as in France and elsewhere, the differences in exchanging the one material for the other from one country to another, which give so much occasion for disturbances and uncertainties in price, would disappear. Under such circumstances the British sovereign would make way in India, and the new valuation, based at first more on silver than gold, might change more and more in favour of the latter. And although it is my conviction that the abolition of silver at some future time would be as baneful and ruinous a feat as it appears now, that therefore practical results will enforce the restoration of silver—yet, if at some future time the gold valuation should, *nolens volens*, be enforced upon the world, India would be better prepared for the event.

As far as the change of accounts is concerned, it may reasonably be supposed that European Indians and educated natives will find no difficulty in adopting the pound sterling system so decimalized, and that all contracts and Government debts, &c., can speedily be converted. The natives may find greater difficulty in the conversion rate of 17 to 8, or 85 present rupees to 8 pounds sterling, but whatever other combination may be tried so as to bring about the sterling system, it will be found to give more fractional and more difficult divisions. Native ingenuity will soon deal with the 2 rupees 2 annas for the new piece, or 10 rupees 10 annas per £1, and ready reckoners or tables can be officially supplied to the people. In any case, if a change is to be made, this matter of accounts presents difficulties which energetic and intelligent action of the Government must meet, and in this instance the inconvenient yet simple figure pushes the reform.

The technical proceeding of reminting requires some consideration. The calling in and receiving of £100 or £150 millions of silver coins being one of the "large facts" of the case, on which mint masters would have a good deal to say. The Indian mints are powerful institutions, that of Calcutta especially so, and with extra machinery designed purposely to work this one piece, there should be no difficulty in turning out five millions of pieces, or £1 million per week, say £50 millions per annum. Anglo-Indian energy has performed comparatively greater feats in other matters. Besides, for as much silver as India, when rescued from its present danger, can still take from Europe, pieces may be coined in England, either by the Royal Mint, or, under the supervision of the India Office, by the private mints in Birmingham. These coins could be sent out by Anglo-Indian banks in lieu of bar silver.

again, a great portion of the subsidiary token coinage, and later on the copper coins, could be made in England and used as remittances, or accumulate in India in the bullion stock for bank notes, until there was sufficient for the withdrawal of the old silver pieces. For all these technical points the proper arrangements can be made.

It is possible now that the plan here recommended for an alteration in the Indian coinage towards the sterling system appears practicable, but **whether this** or any **other method be adopted**—one thing must now be borne in mind:—

All such proposals are of no good, no system based on the double valuation, temporarily or definitely, as far as India is concerned, can be maintained, **unless all other nations come to an international agreement on the matter** at large; and you will now perceive that in bringing the subject before you in its reference to bank notes, and to the various systems of metallic valuations, I may not have occupied your time in vain. All nations must agree, not only in the first instance in bringing back the *status quo* before the recent changes and demonetization of silver, but in taking steps to assure its maintenance for the future. Unless this is done, and speedily, the muddle will become irreparable, and the universal panic unavoidable.

England, as the first representative of *the gold valuation*, with *India*, as holding the first rank in *the silver valuation*, has the greatest interest in the matter generally, and **should therefore take the lead in calling an international conference.** It has been said before that Germany, by its recent change from silver to gold, has overturned the balance of silver, and so

forced other silver-valuing States to prepare for the same thing, compelling the states of the double valuation to limit the coinage of full-valued silver pieces, preparatory to the final enforced abandonment. As yet, although the price of silver has already fallen so greatly, the whole subject is in abeyance, so to speak, the other nations standing on the brink of an abyss to which Germany is driving them.

The *first object* of this international conference must be that of *restoring the equilibrium* between gold and silver *in Europe*. As far as Europe is concerned, the three nations, England, Germany, and France, practically command the situation.

Before 1870 the equilibrium was upheld because it was divided between—

England with *gold* valuation,
Germany with *silver* valuation,
France with *gold* and *silver* valuation;

as if by three systems of equal mutual importance.

Since then Germany has adopted the gold valuation, and the position now is—

England with *gold* valuation,
Germany with *gold* valuation,
France with *gold* and *silver* valuation;

and France has already been compelled to guard itself against being swamped with German and other silver.

To us as Englishmen, it would be easy to suggest that Germany should retrace its steps, and readopt silver; we are so very ready and willing to dictate to other nations in matters of this kind. It has also been said in England that Germany, being, according to *our* views, a poor country, where prices are so much lower than here, ought to have retained silver, as better suited to these prices. The fact is, that prices of commodities in Germany are higher, and the value of labour very little

less, than in England; labour being at least double as high as the rate of wages existing there when we ourselves adopted the gold valuation in 1816. But the Germans will laugh at our advice, for other reasons than this. They have already sufficient gold, and have disposed of enough silver, to be able to hold their own on the mere score of possession of currency. Beyond this they would still say to us, "No, we are not going to take to silver again for the special benefit of England and India!" and they would be right. *For it is England which since* 1816 *has always played upon the silver currencies of the Continent.* Although England at home deals only in gold, yet in her international trade, especially that with India, she is the greatest dealer in silver. When the exchange with India is low, England has crammed the Continental currencies with silver; when that exchange is high, it has just as violently subtracted millions from them. In the case of France under the gold and silver valuation, this was of little consequence, for England had to give France gold instead; but for the European silver-valuing states this was intolerable. Many millions of thalers were melted in Hamburg for export through London to India, and as Germany then had no fixed price for gold, confusion in their money markets, panics in Hamburg, and disorder in their currency, through the spasmodic issue of bank notes, took place. Even if Germany had not already succeeded in securing herself by gold, and still held its full store of silver, it would be the duty of her statesmen to guard against the danger and inconvenience to which the attitude of England continually exposed the country. And although Germany has been precipitate, and might have called an international conference before making this change, yet as she had the means on hand, nobody can blame her for having so

far secured her interest, and for laughing at the unsophisticated suggestion that she should return to her old system for the benefit of others who are unwilling even slightly to modify their own systems for this purpose.

The suggestion might than be made; if Germany cannot return to her old silver valuation, let her at all events adopt the gold and silver valuation; when the European systems would stand as—

England with *gold* valuation.
Germany with *gold* and *silver* valuation.
France with *gold* and *silver* valuation.

Those who understand the simple problem of equilibrium involved in the position previous to 1870, will recognise that this plan is insufficient, for the weight in favour of gold would still suppress silver in almost the same ratio. If Germany retained all the silver she still holds, so as to bring about a fair proportion of legal tender gold and silver coin in her currency, she could only absorb a small quantity of silver in future, and for maintaining such proportion, the great bulk of the *new supplies of silver* would have to be offered in vain to India, and the depreciation of the material would become as certain as it seems to be now, rendering the maintenance of a joint valuation impossible.

And even if that were not the case, neither Germany nor France would care to have the gold and silver valuation, *unless England joined them.* For they would say to us, "It is perfectly characteristic of you English to say to us, '*You, France and Germany, must adopt the gold and silver valuation, but we English must remain on the gold basis.*' Although you may be compelled to give us gold for silver when you want the latter for India, we are not going to have our currencies played with in this way, or subject ourselves to the

risk of your succeeding in introducing gold as the sole standard in India, and so cut us off altogether. Unless you join us and do yourselves what you want us to do, we prefer to suffer the consequences of the general demonetization of silver altogether, and it remains to be seen whether you in England, together with India, will not lose far more in this reckless tumble-down than anybody else!"

This is what they would say with perfect justice, and so it would appear that no good whatever can be done unless the systems become—

Germany with *gold* and *silver* valuation.
France with *gold* and *silver* valuation.
England with *gold* and *silver* valuation.

In other words,—

the universal adoption of both gold and silver as legal tender money, is the only means of restoring and maintaining the equilibrium between gold and silver, and arresting the downward and uncontrollable movement now preparing for vast ruin. And "unless England is prepared to enter upon such international conference with the view of the adoption of the gold and silver valuation, with such modification as may meet the case, it is perfectly useless to make the attempt."

It is now that we must assort our ideas as to the kind of difficulties which stand in the way of this proposal as far as England's theoretical and practical economy is concerned.

The bare suggestion that England should modify its present system in favour of the gold and silver valuation will lead to a kind of war dance by the party which has been designated as the "fanatical" advocates of the gold valuation, against which that carried on by the opponents of other wise measures in the history of England is but child's play. This party will not only

parade the fluctuation theory, and all the phraseology connected with "civilized nations," which the controversy has called into some sort of fashion, but there will be bank directors, and others of exceedingly "national" views and "patriotic" habits, who will scorn any departure by England from its policy, and who will endeavour to bring forth numerous "practical" objections. Granted that any change of this kind is naturally subject to several practical objections, it yet remains to be seen whether they are not trifling as compared with the great main object, and whether, as will presently be shown, they are not easily overcome. What we must here decide now, firstly, is this: "*If the uncompromising spirit of the advocates of the gold valuation not only for England, but for all the rest of the world, is allowed to prevail without further inquiry,* it follows, not only that nothing whatever can be done, but that the *full extent of the demonetization of silver and all its dire consequences must be borne* by the world.

But fortunately there are others of sufficient thoughtfulness, whose foresight makes them see the fatal effects of such orthodoxy, not only abroad, but also in England, and the recent fall in the price of silver, together with the interests of India, has roused a vein of reflection, which bids fair to admit of a reopening of the question, "*Shall England join other nations in again using silver as well as gold for legal tender purposes?*"

There can be no doubt that the objection to silver by certain classes of Englishmen is due to a prejudice on account of the argument founded on its comparatively greater weight. But this is not an objection which the common people make. Before the adoption of the gold valuation, during last century, there was plenty of silver in England, and the habits of the people did not

change suddenly in 1816. The labouring classes *now* deal in silver chiefly, and the use of a four-shilling piece, as suggested before, would be most acceptable to them. As far as the prejudices of the somewhat wealthier classes are concerned, they are founded on a singular matter. Whenever the discussion on the use of silver coin as legal tender is raised in company of educated Englishmen, one of them is sure to say, "When I was in France in the year 183—, and travelled in my coach with post-horses, I was obliged to carry with me a bag of five-franc silver pieces to pay my way;" and thereupon he will launch out into praise of his own system, and condemn the French for want of civilization in their arrangements. Now at the time even of 1830—1840 there was plenty of gold and bank notes to be had in the larger towns of France, but it is true that travellers, for small and frequent expenses on a journey by post-horses, found it more convenient to furnish themselves with silver pieces, although in Germany, where silver also circulated, they could take credits and notes. All this has since been changed. Railways, bank notes, credits, circular notes, have lifted the English traveller over this previous difficulty, if ever it was one. But even if it still existed, is the interest of the British occasional traveller that which is paramount? Yet so strong is this favourite argument on the part of the ordinary English gentleman, that, through it, he is apt to overlook entirely the economical aspect of the whole subject. He might be asked to decide here whether if England, through the demonetization of and decline in silver, is threatened to lose.

Firstly, The value of many millions of pounds now possessed by the country in silver plate; *secondly*, the value of dividends and capital of many millions of

English interests in silver mines; *thirdly*, its international claims on nations which have contracted in silver; *fourthly*, the value of hundreds of millions of Indian currency—*and beyond* this; *fifthly*, the prospective loss and decline in prices to which England's commerce chiefly, and that of the world at large, are exposed,—would it not be better on his part to give up this trivial objection as to what happened to English travellers in 1830—1840 in France, or to use it as a reason why he should set his face against the reasonable consideration of the subject at large? The objection then as to the weight of silver for travellers in France being entirely removed, it would be still more frivolous to raise it for England, where cheques, bank notes, and gold are in abundant use, and nobody can allege that if we in England had say £10 or £15 millions in four-shilling silver pieces, any inconvenience would arise on that score.

Accordingly, England might well admit to legal tender a certain quantity of such full-valued silver pieces for interior circulation, so as to assist in maintaining the equilibrium of the price of silver for the sake of India. It is said advisedly here "a certain quantity of such silver pieces" *because it would scarcely be requisite for England* to adopt the full gold and *silver valuation at once*, the legal tender limit for silver pieces of this kind might be put at such a figure above £2 (the present limit for the undervalued silver tokens) as expediency would suggest at first, so as to prevent any too sudden change or large coinage of these pieces. *The legal tender limit might at first be stated at* £10 *or* £20 *or* £50 *or* £100, (*subject to proclamation by her Majesty*) but practically it would be found that when the valuation by gold and silver becomes universal in Europe, no limitation whatever is ultimately necessary.

It has already been shown in previous parts of this treatise that the settlement of almost all large payments takes place in accounts, cheques, and clearing systems.*

The currency itself occupies the strata for which it is designed, and if for argument's sake—instead of the

£105 millions of legal tender sovereigns,
15 „ of silver tokens and copper coin,
2 „ of copper coin, and
40 „ of bank notes,

£162 millions,

we had in circulation in England,

£95 millions of sovereigns legal tender,
10 „ of full-valued silver pieces
17 „ of silver tokens and copper coin, and
40 „ of bank notes

£162 millions,

the £10 millions of four-shilling pieces, together with the present £15 millions of tokens, would remain chiefly in the hands of the lower strata, leaving an ample quantity of gold for all the purposes that gold, besides bank notes, could serve. Indeed, the whole system would settle into its own channels by a perfectly natural process. It may be remembered that some years ago the question was raised, whether the industrial classes, dealing in silver chiefly, did not suffer injustice through the fact that its supply is optional on the part of the State, and enforced only by imperative demand. The sophistical doctrines of the gold valuation

* Where large tenders of actual money must be made in courts of law, Bank of England notes or gold are as convenient to the debtor as to the creditor, and instantly return to the circulation. And if for the purpose of vexation a debtor were to carry bags of silver to the court, he could be subjected to the reprimand which fools deserve; but upon such hypothesis the whole case must not be pitted.

stifled this question, yet it has a foundation which must not be despised, and the supply of this new coin would tend to remove the reality of this complaint.

But there is one objection which bankers may raise. They may say: We are so much accustomed to gold, and so much troubled with silver now, that we should not like to have more silver to deal with.

What is their real objection to silver? Although the quantity would be increased, the counting and verifying of single pieces of four shillings each would be easy enough; the real objection to the present token silver coinage, besides the difficulty of handling and counting its subdivisions, which will always remain, is this: the present silver coinage frequently accumulates in the hands of bankers at a great loss of interest, for it cannot, at its limit of tender, be brought into circulation easily, and it cannot be exported. Bankers frequently offer such a surplus of silver at 1 to 2 per cent. discount, and the Bank of England itself, some time ago, offered in vain to sell several hundred thousand pounds worth at a reduction of 1 per cent.

This full-valued coin, however, even if our circulation could not immediately absorb a banker's surplus, could always be sold for its full value in silver, either for melting into bars at home or for export. And therein lies not only the full compensation to bankers, for the token coinage need not then be increased, but here the matter comes into direct connection with the valuations abroad, and offers us numerous advantages both for holding and modifying a fair proportion of these full valued pieces for our own purposes, *and for India!*

For the piece could be issued here in England and sent to India in lieu of bar silver. The Bank of England, which under the Act of 1844 has the right of holding 20 per cent. of its bullion store in silver (a right which

it would not properly exercise with the token coinage), might hold £3 or 4 millions of the full-valued pieces, so as to be able to supply India direct, without disturbing the silver coinage of France (as England has done hitherto) and parting with gold. This reservoir would not only enable us to conduct our Indian exchange business at much less cost to ourselves, but it would serve for the absorption of any temporary surplus of their coins in our own circulation, and thus become an equalizer or go-between ourselves, India, and other nations. Coupled with the fact that this four-shilling piece offers the only practicable means of reforming the Indian valuation, so as to bring it into accord with our sterling system for the ultimate regulation by gold in India; this is perhaps one of the most important and beneficial uses which England could derive from the practical readoption of silver within her own realm.*

Assuming now that England were at least inclined to enter upon the proposed international conference on the question, with the intention on her part to further the case according to the indications here given, what would other nations do? Would they be willing to follow the same course? The writer, fairly acquainted with the development of the subject in various countries, the economical truths or errors upon which matters have drifted into their present unfortunate relative position,

* It has been suggested that if the Government abolished the duty of 1s. 6d. per ounce now levied on sterling silver plate, there would be a much greater consumption. The quantity of silver now used for plate is about one million ounces per annum, and if the average price of silver goods be taken at 10s. per oz., and a reduction to 8s. 6d. doubled the consumption, it would only absorb 1 per cent. of the 100 million ounces of supply per annum. Nevertheless, as the tax was levied originally to prevent silver being withheld from circulation, as this is now no longer required, and the income to the State less than £70,000 per annum, it might as well be abolished, so as to allow more wealth in silver to accumulate here, and to assist in upholding its value.

may shortly review the actual state of the controversy in the important countries.

In France the full gold and silver valuation prevailed until 1867, when under the monetary convention with Belgium, Italy, and Switzerland, the full-valued two-franc pieces and the coinage below were withdrawn, and a subsidiary debased coinage, similar in principle to our own, and under the same restriction in tender (fs. 50), substituted. But the five-franc silver piece continues as full legal tender, and thus the gold and silver valuation remains, for the smaller coinage, as has been said before here (and recommended for India), can well be placed upon the token footing in all countries. In the mean time, however, the controversy started by Michel Chevalier was kept alive, the strong demand made by England on French silver for India continued to arouse attention, and although France only profited by the transaction, for it obtained a premium on silver and an equivalent in gold, an inquiry by Imperial Commission was instituted in the early part of 1870, shortly before the war. This commission, on most conflicting evidence, decided in favour of gold, but no action was taken, for the war began soon after. Since then, Germany having gone over to gold, France has still maintained both gold and silver as before, but has been compelled, in order to avoid being swamped by German and other silver, to limit its coinage of five-franc pieces to 60 millions of francs per annum. The question now arises, what will France do in future? This means firstly: will the present France respect the decision arrived at under Imperial auspices in 1870? The answer is an emphatic "no." Those who watched the evidence at the sitting of the Imperial Commission soon saw, that the doctrine started by Michel Chevalier (upon the truth or applicability of which that

eminent economist himself showed his doubt, by recommending first one thing and then the very opposite thereto, and is probably as yet undecided), imported into that evidence all the customary phraseology and "civilized nation" talk, of which so much use has been made without reference to figures; and in this school several pupil economists outbid Chevalier himself in extreme views. Besides this, there prevailed in imperial circles a kind of Anglomania in financial matters, which though flattering to ourselves, might even make us laugh, as many little adoptions from us, including the British bull-dog in the Bois de Boulogne, do now. But far beyond this, it soon became evident that the members of the Imperial Commission had a political design, that they had in view the forging of another weapon against Germany. For there cannot be the slightest doubt, that if the Emperor had beaten Germany and exacted a war indemnity, he would have used that war indemnity for the purpose of paying for the adoption of the gold valuation, and weakening Germany further by the demonetization of silver. But it so happened that the tables were turned, and that Germany has now done for France what the late Emperor or his councillors contemplated to do; and were it not for the remarkable financial strength, the solidity and uprightness of the French, this matter might have been an event more serious to them than Sedan. The writer, from personal conversation with members of the Commission, and from observation made, can vouch for the fact that this design upon Germany was underlying the inquiry as one of its chief though not avowed motives.*

* Several of the witnesses at these meetings also fell into the vulgar error of charging so-called bullion dealers with making undue profits on the exchange between gold and silver, by way of speculation. Nothing

Since then a change has come over France. It must be mentioned, in the first place, that although for the reasons given, the Commission finally decided for the gold valuation, there were plenty of serious men occupying the highest position in finance and economy, who saw the evil that was coming and protested against the decision. At the present moment, when since 1872, France has been compelled to limit its silver coinage, whereby the evils predicted begin to manifest themselves, the party in favour of the maintenance of the gold and silver valuation has regained its former strength, and although a few fanatics for the single gold valuation are still ready to parade phrases, the reasonable and calculating portion of French economists, bankers, and merchants, will be ready to hail any suggestion, by way of an international conference in favour of a possible full restoration of the original constituents of their valuation. And if this conference should make the use of gold and silver universal, if England and India should adopt the same system, the invidious play carried on

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betrays greater ignorance on monetary matters, or is more contemptible, than the unbounded assurance with which *savants* of this class utter such things, without being ever able to bring figures for their support. Gold and silver cannot be "speculated" in, for they are not commodities which can be stored under an advance or held without loss of interest; their value is mathematically ascertainable to the most minute fractions. If, in exchange matters, dealings in gold or silver become necessary, these must be instantaneous, and their motives are but the exchanges themselves. To the arbitrating banker it is quite immaterial whether he deals in exchanges by bills or by bullion, he simply chooses that which at the moment seems the more likely to answer. Statesmen and economists, ignorant of the simple logic involved in the business of exchanges, should learn to understand that it is nothing more than a great international clearing system, conducted on the highest principles of economy and adjustment, requiring only the quick intelligence of a calculator. Because they have not got the brains to follow out these calculations, they throw dirt at the bankers who carry on this superior business.

between England and India upon the French coinage would no longer be required, the real cause of the fluctuations would cease, and each section of the commerce of France (and the world generally) would fall within the ranges of value for which either gold or silver are mutually fit, in a natural way, and so do away with the present enforced disturbances.

Belgium, Switzerland, and Italy would follow the footsteps of France in such conference. In Belgium the subject has caused much discussion; the chief point under consideration was the absolute necessity of Belgium being compelled, in order to avoid a worse contingency, to follow the general indications so far. A decision preparatory to the breaking up of the monetary union between the four States, and for the abandonment of silver, has been come to with great regret, but so far the four States have agreed yet to coin together this year between £4 and 5 millions sterling, and this, by the way, is the reason why silver has not already fallen much lower in the market than at present. Belgium will be quite ready to restore its system in accord with others.*

Holland has made preparations for giving up silver and adopting gold with even much greater regret than other States. The country is internationally wealthy, and surrounded as it is by gold valuing States, it can as a small one, obtain the gold required. Dutch economists recognise that this mere loss on currency is nothing as compared to the gigantic consequences

* It must not be supposed that because here it is proposed that England should coin a four-shilling piece, therefore the present five-franc silver piece will be in correspondence with it beyond the mere metallic basis, or of equal value as basis for international coinage. Such an attempt must not be made at present. The four-shilling piece would contain 350⅝ grains of fine silver, the five-franc piece contains 347¼ fine grains, and no agreement to pass for equal value is possible on this point.

which the interests of all nations must suffer through the general demonetization of silver.

Of Germany, as of the three leading wealthy and metallic nations, a portion of what is required has already been said. No doubt Germany has been, if not too precipitate in saving itself, at all events inconsiderate. This is also owing to a tendency on part of some of her economists, on whom the subject of monetary matters has recently dawned, to imitate England. Flattering again as this may seem to us, even Richard Cobden himself would probably admit that these imitators have caricatured English economical principles. The French fancy for English "bull dogs" is ludicrous but innocent, but the German imitation of English methods is ludicrous and *baneful* to the people, at the same time. The new German bank note law, and the bayonet fashion proceeding in the whole matter of reform of their coinage are evidence of this. But at this moment a certain want of decision manifests itself in Germany. Here is a country which has just conquered £250 millions of money at a swoop, or more than the whole amount contributed to the entire world by California in twenty-five years, and yet it suffers from a depression of trade and industry, from misery and complaints on the part of the people, such as the country has rarely seen in the worst stages of national life. There must be some "pretty" management, some very clever heads in a Government which can bring about such a result; English common sense would have driven these financial *gens d'armes* into oblivion long ago, upon the mere face of the absurdity. But although this evil now exists in Germany, there are many gentlemen of high position and thoughtfulness, who well know to what it is due, and who would only be too ready to recommend so much of a return to the *status quo* as will admit of a

retention of legal tender silver in the country for the national as well as the international good. And even the men now in power, seeing that they have yet from £20 to £30 millions of silver to sell at a low and still more ruinous price, may be brought to stop wasting part of the indemnity acquired from France, and listen to a proposal for an international conference. But this much is quite certain, unless England herself takes the lead in the conference, the whole case comes to that of attempting to construct an arch without a keystone —that keystone being in reality England.

The cases of the internationally indebted and over-issuing States remain to be considered. The United States, as already shown, have lost their old silver dollars because, without reference to the international agreement of 1 to $15\frac{1}{2}$ they coined it at 1 to 16, and thereby lost that dollar by undue export. Pending their recovery to specie payments, they have thereupon resolved upon the future gold valuation. Within the last three years they undertook to coin a new silver dollar, not for legal circulation, but for export to China and India —and for the purpose of its driving out and taking the place of the Spanish and Mexican dollars there current. They made that dollar of 420 grains, 900 fine, or 378 grains fine, thereby wantonly debasing silver to $16\frac{1}{4}$ to 1 of gold. In 1874 about £700,000 of these pieces were coined; in 1875 a much larger quantity went to China. A more mischievous and wanton proceeding than the coinage of this piece, directly injuring the silver mining interests in the debased price, cannot well be imagined; there is yet time to stop this bad policy.

The legislative controversy in the United States of America as regards the question of the valuation has on the whole been a less searching one after economical principles than elsewhere. Resolutions were taken

by the rule of thumb, and in accord with common phrases quoted from Europe; the experimental nature of the proceeding shows this,—so long as the United States remain on the paper basis, they cannot themselves judge of the practical effects of these resolves for the future. It may, however, be obvious to others, that if the United States are bound to return to the specie basis, they have themselves created the greatest bar to this aim, by demonetizing silver, debasing the proportion, and by assisting the tendency displayed in Europe against silver. If the rich supplies of silver now found in America, instead of being wildly exported, could be partially retained, the restoration of specie payments, now rendered so precarious and so injurious to prices and contracts in the country, so influential as regards general commerce, as pointed out in the first part of this treatise, could be accomplished in a short time and with comparatively less painful efforts and consequences. A proposal has recently been brought before the United States Senate by Mr. Sherman for the reduction of the present half-eagle, or five-dollar gold piece, from its present fine gold contents of 116 grains to 113 grains, the fine gold contents of the British sovereign, and that this piece should be divided into five dollars. Now although this change would require an alteration in the accounts in America, by an addition to each present dollar of $2\frac{3}{4}$ cents, there would be no difficulty whatever as to the coinage. The United States, excepting the stores of coin held in the Treasury or by banks, have no gold coin in circulation, and therefore no withdrawal or recoinage is required; the Mint might coin the proposed piece as easily as the old. In that case the identical four-shilling piece of $350\frac{5}{8}$ grains fine silver, recommended for India and England, would be the new American silver dollar. The opportunity thus offered

to America of bringing her coinage system into accord with England* and India is a most advantageous one, which may never occur again. And if America thus recovered its specie basis, and if all the nations agreed on the same valuation, the wanton import or export of the one material over the other would cease, and all would settle down within its natural ranges.

Russia, Italy, and Austria have still stronger interest in the maintenance of silver, not only because it will enable them much sooner to recover specie payments, but they are all holders of silver to some extent at least. Austria especially, and its national bank holds silver; and although, according to the terms of its silver loans, it might pay English and other international creditors in depreciated silver (and this is an item of loss which England must also bear in mind, as applying to all her other debtors on the silver basis), yet that would not mend the matter in the main—it would only increase the distrust and confusion. It may be reasonably expected that all these States would only be glad enough to have this question settled as it has here been presumed.

If, then, *that international conference be held, how should our Government prepare itself for the position to be assumed?* As stated before, England cannot remain on the pure gold valuation, and recommend others to adopt the gold and silver valuation chiefly on behalf of India. The thing is impossible and untenable, as far as the equilibrium is concerned; for

* This identity of coinage need not lead to the mutual legal tender of the coins. American new five-dollar pieces, or the proposed silver dollar may be admitted into England, and should not be legal tender. If the balance of trade requires their permanent stay here, they can easily be recoined; if they come here incidentally they can be used for re-export. The withholding of the legal tender would keep this matter under proper control without destroying its usefulness to account-keeping and to travellers.

independently of what might be called the selfish unfairness of the thing, which other nations would deem preposterous, and which in reality would be ludicrous, the balance against silver, even if Germany adopts it again alongside of gold, will remain absolute, unless England joins the system by way of set-off.

The great difficulty of our Government would be that of dealing with our home habits, and the violent opposition which will be displayed by certain parties against such a reasonable proceeding. It must be the duty of our Governments to make clear all these facts and its consequences, not only for the purpose of appealing to the common sense of all Englishmen, as far as the proper choice between practical evil or good is concerned, but also in order to overcome what is the main objection of our gold economists to the gold and silver system, viz., *the theory of the fluctuations between gold and silver, and the consequent seeming injustice to the creditor.* Those who are aware that these fluctuations are mainly due to the conflict between the present three groups of the gold, the gold and silver, and silver valuation, and, moreover, chiefly due to the play of England and India on the Continental valuations which lie between them, will admit that if in future the systems become alike, this conflict must necessarily end. Accordingly, if the doctrine of the injustice to the creditor were actually true, it would weigh little against the enormous sacrifices to be made on its behalf; or it would at all events be greatly modified in its application through the universal agreement. But, as has been shown here before, this doctrine is neither true in theory nor fact. The settlements of credits and debits do not take place by currency, but by a species of barter of value which has no further connection with currency than that its own basis of value

depends upon the number of pieces of money with which the labour markets can be enlivened, and production and consumption and general welfare of mankind advanced. If our Government and the real economists of the country can rise to this plain and truthful conception of the actual nature of the case, the false doctrine is scattered to the winds.

Our special English economists opposed to silver may be still powerful, but they are not paramount. There is at all events one authority in this country which is not bigoted on this point—and that is the present Prime Minister, Mr. Disraeli. On the 19th November, 1873, when Mr. Disraeli was installed as Rector of the University of Glasgow, he chose for one of his subjects an allusion to this very matter, and the parts of his speech referring to it are worth repeating here. At the banquet he said :—

"I attribute the great monetary disturbance that has occurred, and is now to a certain degree acting very injuriously to trade—I attribute it to the great changes which our Governments in Europe are making with reference to their standard of value. You, of course, are perfectly acquainted with all these circumstances to which I allude. I attribute the present state of affairs very much *to a Commission that was sitting in Paris* at the time of the great Exhibition. That was a Commission the object of which was to establish a uniform coinage throughout the world—a very beautiful idea of cosmopolitan philanthropy, and probably, if it could be fulfilled, would do no great harm; but I think it would be very difficult to attain. The Commission of Paris never came to a definite recommendation on this subject, but they did on another subject, and that was that no time should be lost by any of the States of Europe in taking steps to establish a uniform gold standard of value. This, I know myself, arose from an opinion extremely prevalent among the Government statesmen of Europe, and among distinguished economists and merchants abroad, that the commercial prosperity and preponderance of England were to be attributed to her gold standard. Now, our gold standard is, I think, a most subtle arrangement. I think that any country which has a gold standard of value should,

to use a celebrated expression, think once, twice, and thrice, before it gives it up. (Cheers.) *But it is the greatest delusion in the world to attribute the commercial preponderance and prosperity of England to our having a gold standard. Our gold standard is not the cause of our commercial prosperity, but the consequence of our commercial prosperity*—("Oh!")—and it is very well for us to have it; but you cannot establish a gold standard by violent means. It must arise gradually from the large transactions of the country, and the consequent command it may have of the precious metals. (Cheers.) When the various states of Europe suddenly determined to have a gold standard, and took steps to carry it into effect, it was quite evident we must prepare ourselves *for great convulsions in the money market*, not occasioned by speculation or any old cause, which has been alleged, but to a *new cause with which we are not yet sufficiently acquainted*, and the consequences of which are *very embarrassing;* and that is the cause I have taken the opportunity of calling your attention to. (Cheers.) Take the case of Germany. At this moment it is most remarkable when there has been such a want of gold standard in various parts of Europe, and in England, where the strain has been so great, Germany has at this moment fifty millions sterling of gold coin virtually locked up; and it is locked up because it is the object of Germany to substitute a gold coinage for a silver coinage. While it has fifty millions value in gold coinage locked up, it has eighty millions of silver circulating; and they know very well if they were to attempt to substitute violently the gold for the silver coinage—fifty millions of gold against eighty millions of silver—the consequence would be that the silver already reduced in value would become reduced still more, and the fifty millions of gold would all leave Germany. The consequence is that Germany is taking violent steps to get rid of this silver. The other day Germany sent a large amount of silver to Calcutta, and Germany could only have an artificial means of forwarding it; and the result was, for a considerable time you could not buy a single bill on England. These are all circumstances calculated to disturb the course of commerce and manufacturing arrangements. Then, again, take the case of France and America, which are floating an inconvertible paper; but France has also at this moment ninety millions sterling of French pieces. What must be the position of France with all that silver already depreciated, when Germany is acting on France, as she can, by getting rid of her silver coinage? By that throwing it into France, France would be in a position of great embarrassment, and would make violent efforts to establish as soon as she can a gold coinage at any

cost. Great disturbance and immense fluctuations must arise from circumstances of this kind. I regret to treat matters of this kind at a moment like this, because *they require to be treated with more precision of language and with greater patience than either I or you can afford at this moment*, but it did appear to me a subject to which I ought to call your attention. (Cheers.) You are commercial men interested in the monetary system of the world; you ought to have your eye carefully upon the efforts which are making to establish a gold standard of value in Germany, in France, and soon you will find also in America. Legally, of course, there is a gold standard in America, but virtually there is not, in consequence of its present state of depression. Holland and all the Scandinavian States are also bent on establishing a gold standard; and when countries inundated with silver are trying to get rid of it, *convulsions must come, and no one would be able to form an adequate idea of the monetary arrangements of the times in which he lives if he omits from his consideration the important subject to which I have called your attention.* I have drawn your attention to it to-day because you must know it is very difficult for me to address you under the conditions in which I meet you to-day." (Cheers.)

Some passages in this speech have been italicized by the writer of this treatise. They are most significant as showing how the mind of the speaker was ready to throw, and to receive further light on the question. The cautious allusion to the gold valuation in England, as being a consequence of, and not the cause of our prosperity, is most characteristic of the statesman, who is probably well aware of the violent outcry which might be raised against him if he gave it but the appearance of a party question, if he had then become its champion. But this should not be a party matter, it should be removed to a higher sphere of consideration. If it be borne in mind that in November, 1873, when Mr. Disraeli said "that we ought to think once, twice, and thrice, before we made a change," silver stood still at the fairly normal price of 59½ pence, and that it has since, within 25 months, fallen to 53 pence, or by 12 per cent. If Mr. Disraeli prognosticated these con-

vulsions at that time, has he not greater reason now for urging the consideration of this matter upon the public? Is there not now, since India's interest knocks loudly at our door, since Indian bankers, merchants, retired pensioners, are at their wits' end, a better chance of the voices of reason and deliberation being heard, in preference to the cries founded on false doctrines, or mere habits of a practice of no greater length than 60 years in the life of a single nation? I have said before, this subject is not one upon which the great public itself can decide, matters of this kind cannot be popularised, the educated alone may be able to see its vast importance. It depends on the *noblesse oblige* of the intelligence of thinking men in England whether they will give to Mr. Disraeli, if he should hold these views and determine to act upon them at this important decisive moment, sufficient support on behalf of the subject at large; and for this purpose let me hope that the material furnished in this treatise will at least awaken the sensibility of the most orthodox believers in the gold valuation, and induce them to respect that which our Government may possibly, or ought to, propose to do under the circumstances.

England could do no nobler thing, one in which not only India, but all the British empire and influence, besides the world at large, has a greater stake, than initiate this international conference. Let sceptics on the importance of this subject ignore, if they like, all that has been said as to the revolutions and difficulties which are here predicted. The history of commerce has phases, which, with or without traceable connection with political and social welfare, afford us example of what is now in prospect. Between the acquisition of treasures by Rome to the Middle Ages, when Spain

brought the immense metallic treasures to Europe, a period of 1,500 years elapsed. The effect on the civilisation of the world is on record. The next great historical event, 350 years later, was the discovery of gold in California and Australia. What that has done in multiplying commerce, including development of civilisation, within the last thirty years is under our eyes at present. It is idle to say other Californias will be discovered. The world has been sufficiently explored, and although other gold-fields may exist, they can only be in the icy north or the fever-breeding tropics, and therefore inaccessible to Europeans. On the contrary, the production of gold has declined by one-half.

Mark then, that *what threatens to take place now*, viz., *the demonetization of silver*, is an *equally important* and *quite a new historical event in the opposite direction.* If the balance is upset by one nation, and not restored by the international agreement of all, it is tantamount not only to an absolute destruction of more actual money than has accumulated within the last 200 years, but beyond this, it would annihilate the use of the fresh supplies of silver from which commerce might benefit hereafter; and both the already increased population, and their future increase, enlarge the proportions of the abstraction in a still greater ratio.

The allusion to the wider historical aspect of this matter may therefore not be out of place. What we have to decide here, is whether the future of commerce and industry, the chief objects and agents of civilization, is to be left to the at least "happy go lucky" fate which the advocates of the gold valuation prepare for it, without showing us figures,—or whether we have grasp of mind sufficient to combine the higher aspects with the intensively practical figures and detailed proceedings required.

The whole of this matter is one in which both the head and heart of thinking men must become engaged, in which higher views as to providential arrangements, together with the strict truth as to facts, must be considered before a mere narrow-minded dogma, apart from the proof of its theoretical and practical nonentity already given.

Whether the existence or use of gold and silver, and their evident powerful factorship in human society be ascribed to a direct divine plan, or to some other metaphysical origin, it can at least be said *that nature furnishes gold and silver as materials for money.* And as far back as human history can be traced, and in spite of all quarrels of poets with gold and silver, in spite of all attempts to supplant them by something else—they have hitherto calmly maintained their superiority. Again, throughout the history of development of human society, nature has, so to speak, *issued* these materials to mankind, partly in a moderate regular way, partly by *more or less periodic copious supply.*

Because that is so, because nature is not strictly mathematical in all it does, the advocates of the single gold valuation say we must only use the one material, unable to see that nature itself is not a system of pure mathematics, but that of a combination between the utmost variations *and* mathematics—that this combination is its very life and *raison d'etre.* Would they be satisfied if nature had made the express arrangement of every baby being born with one part of gold and fifteen and a half parts of silver, as its contribution to the world's circulation, even in due proportions of weight to the "prices of commodities" in each nation? They would find other reasons for quarrelling even with this method of issue by nature, and every other one.

The conflict is evidently one where the desire for a

mathematical adjustment, so laudable seemingly in matters of money and justice, utterly mistakes the real state of the case, and is unable to elevate itself to the providential, natural, and therefore really superior point of view. And with this incapacity the case of the advocates of the gold valuation resembles much that of the child which somehow wants "the top brick of the chimney." The whole controversy betrays this. Chevalier starts first with wanting to demonetize gold, because nature provided more supply at that time. It was said: gold will be superabundant, silver will be in diminished supply. Since then nature has provided us with more silver through the new American mines. Now at the present time, when nature is thus about to accompany the previous larger supply of gold (since 1848) with an equally large supply of silver, what do the advocates of the gold valuation do? Whereas they formerly pleaded that gold was in excess, and first proposed that it should *cease to be used*, and then said that it should be the sole material for money, for precisely the *same reason*, they not only affect to ignore the supplies of silver, but actually endeavour to show that they are of no importance. They go so far as to say that there never was as much silver in the world as there is actually known to be, and even deny that the present large supplies of silver have any bodily existence. Reduced to this extremity of the denial of actual visible facts, they recommend gold, apparently because, on account of its higher value, it happens to be the top brick of the chimney.

If the expression "single standard" were applicable even, if money were more than a mere adjunct factor in the great system of intercourse, the use of a single material would have certain natural limits.

If gold were to form the single material for money,

it is evident, that as means of conveying contract we ought to be able to subdivide it into coins of all descriptions of value, from the £1 downwards to the shilling and penny; the plea of justice is as applicable to the smaller as it is to the larger interest. But this is impossible from the very nature of the material. We cannot make gold pieces of one shilling even, and suggestion as to alloying baser metal with say a shilling's-worth of gold, to obtain a larger piece, cannot be carried out, for the technicalities connected with money forbid this. Hence nature, so to speak, has provided silver, which on a lower stage of value, can be so divided into full-valued means of contract. This is the stumbling-block for the advocates of the gold valuation; they cannot see why this *must* and *should* be, and the case becomes complicated because we also use copper coins under a limit of tender." "Why should there be two materials, or three, to serve as money?" they say. "If you can use two or three you ought to be able to use four or five;" and a still greater complication arises, when it is remembered that there are such metals as platinum which might be thought fit for the purpose. The reasons why platinum cannot be used (as the experiment in Russia showed) are of a peculiar technical nature; the material lacks, for instance, the essential conditions of regular, sufficient, and fairly distributed supply, as ONE upon which its perfect natural applicability depends.

But the suggestion that other metals or things should be used for money has, in reality, again that *quasi* mathematical aim, which seems to demand either one for all, or a special metal or thing for every stage of value that can be expressed, from one farthing upwards to the highest amount, that hazy idea which wavers between the single unit and the boundless variety, utterly unable to perceive that

the foundation for actual life and practical existence depends upon the ranges which nature has provided in this conflict between the mathematical nothing or infinite, and the endless variety by way of reconciliation. The two ranges provided in this case by gold and silver, by way of dualism, are just what is necessary and sufficient at the same time. And so it can be proven, not only upon general grounds, but also upon distinct detailed points as to special chemical, mechanical, and other qualifications, which together constitute the utmost reachable perfection of fitness for the purpose, that Gold and Silver are products of nature which, either by providence or by the undeniable practice, have been designed and used for the purpose of serving as money and guarantee for value.

It may be conceded that as gold and silver are of different "nobility" as metals, their difference in value rests, in the first place, upon a natural law, which other beings higher than men would recognise as a definite one. But besides this, the practice itself, as it has been from time immemorial, is the second natural law, which affirms the first law. If under this combination or affirmation, doubts as the firmness of the proportionate value within limited variations are still possible, the third affirmation that of the *legislative law*, entirely removes them. Such a legislative law may also be called a product of the nature of human society. What its force must be I have already hinted at; if so slight a disagreement in the equilibrium as that caused by the German law has so great an effect in lowering the value of silver, it is evident that the legislative law, or universal agreement to uphold such equilibrium, must be most powerful for removing even the slightest pretence to variations.

I venture to say all this not because I want to plead

that in accordance with what goes on now we must come to what is called a mere practically convenient conclusion, and override the honest views expressed in favour of the gold standard, but because these reflections may seem really superior to the honourable but otherwise more algebraical or actuarial views, which threaten to annihilate the benefit of the *present* and *future issues by nature* of silver, and that the case, and with it the welfare of mankind, must be rescued from the hands which now seem to sway its fate.

That this is a difficult task in England I admit, for we live in the midst of the prejudices and habits which our own gold valuation has engendered. And even if the facts and arguments contained in this treatise could become matters of popular consideration, if the common sense of the people or *vox populi* of this country were in favour of the use of both gold and silver, on the true natural and only just basis, there would be plenty of so-called "authorities," educated in a special line of practice, and hard-hearted enough (to use the milder term) to battle against it with all the sophistry that has hitherto been current.

Fortunately, whilst this sophistry has hitherto been successful, because, in spite of the prognostications made by others (including myself), there were no strongly visible signs of the coming mischief, we in England now find ourselves suddenly face to face with the rapid decline of silver, with the problem of the Indian valuation, and there is a better chance now of inducing people to look into the prospects of the future. What this prospect involves on all sides, in lessening the means of conveyance of contract, in suppressing industry, in lowering prices, in ruin to both debtors and creditors in fixed contracts, in diminished taxing power, and in stoppage of civilization, must be weighed either by

the full measure as has been here indicated in the figures laid before you, or by such per-centage as we may deem proper to select. It may then appear that the actuarial doctrine of the gold valuation, even were it not false in theory and practice, is not worth the slightest tittle of sacrifice to be made on its behalf. And the recognition of this truth may altogether lead to a sounder and more comprehensive policy and action in reference to monetary matters. During the last twenty years a bitter strife of economists has raged, not only on this point, but on monetary matters generally. People have been at cross purposes with each other, and from the money article read at breakfast-time, to the discussion at night in a scientific society, the minds of many persons have been unsettled between the one view and the other. Amidst this turmoil we only know, here in England, that our commerce continued to flourish in spite of the conflict, so long as nothing was actually done to upset the balance. But since that balance has been overthrown by Germany, the case comes home to us, because we see an actual falling off, instead of an increase in our commerce, and the nicety or delicacy of the matter claims our attention, because we observe the great effect which an apparently slight cause has upon it in the very rapid fall of silver. Hence it is possible that the elucidation of the whole subject at this moment may result in a general peace on monetary matters.

If this peace is not established by the full restoration of the valuation, as has here been suggested, if the gold valuation is enforced, one of the most outrageous crimes upon humanity will be committed. Not only will the benefit derived from the golden gifts

* And all discussions on or proposals based on such expedients are utterly futile and useless.

of nature, through California and Australia, the forty per cent. increase, with its produce of four hundred per cent. of enhanced commerce, be lost and counteracted, but the deduction will be far beyond the mere "negative" indicated thereby. The future gifts of nature in silver will cease to benefit mankind, and become a curse instead of a blessing. The progress of commerce and civilization has before it an almost boundless field, where it may step, accompanied by solid equivalents, faster at one time than at another, and it will so step in spite of preachers on financial morality. But when by a wanton social crime of this kind, one of two factors is actually deducted from the advancement made, and prevented from assisting it in the future, it involves a defiance of the order or nature of things, which is equal only to the wanton destruction of one of two lives and all its progeny.

How far this is immediately applicable will appear from the reflection, that if the gold which has been added to the world's store since 1848 has so much advanced commerce, the new supplies of silver would also have a similar effect but for the fatal policy of its demonetization recently adopted. Hence we already find that business is bad, that commerce in England and elsewhere has fallen off seriously, and if that is but the shadow of the coming event, if in only two months after the balance being upset by Germany we find so rapid a decline in the value of silver, what must be the effect when the spread of the gold valuation receives further impulse, or its final development?

But were this matter met with true intelligence, were this new gift of nature in the shape of silver freely received as additional agents of commerce and civilization, there is not the slightest doubt, that in lieu of the dark present and dangerous-looking future of

commerce, we should have the same progress which distinguished the years from 1848 to 1872; that under a more orderly system the joint supplies of gold and silver would become all the more available for, and develop more rapidly the well-being, wealth, and civilization of mankind. This, at all events, is a consideration in which the interest of every individual member of the present generation is immediately concerned, independently of the blessing or the curse which future generations may heap upon those who have now to decide this case for good or evil.

And finally, I repeat, unless this international conference be held speedily, *unless England takes the lead,* and unless a *full restoration of the* general valuation *takes place,* the downward course of the decline of silver will continue, until within the next few years, all the evils and consequences are upon us, have inflicted incalculable damage, which cannot be repaired, and which will render the satisfactory settlement of the matter almost impossible.

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